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China Report

RED FLAG

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CHINA REPORT

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Translation of the semimonthly theoretical journal of the Central Committee of the Communist Party of China published in Beijing.

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DECISION OF THE CPC CENTRAL COMMITTEE ON REFORM OF THE ECONOMIC STRUCTURE--
ADOPTED BY THE 3D PLENARY SESSION OF THE 12TH CPC CENTRAL COMMITTEE ON
20 OCTOBER 1984

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 2-13

[Text] The 3d Plenary Session of the 12th CPC Central Committee, having analyzed the current economic and political situation in China and summed up the experience, both positive and negative, in socialist construction and particularly that of reform of the economic structure in the urban and rural areas over the past few years, holds the consensus view that, proceeding from the overall need to build socialism with Chinese characteristics by integrating the basic tenets of Marxism with the actual conditions in China, we must go a step further with the policy of invigorating the domestic economy and opening to the outside world and accelerate the restructuring of the national economy as a whole, with the focus on the urban economy, so as to create a new, better situation for our socialist modernization.

I. Reform Is a Pressing Necessity in the Current Developments in China

China has prepared and practiced reform of its economic structure for several years. The 3d Plenary Session of the 11th CPC Central Committee, in deciding to shift the focus of the work of the whole party to economic construction, stressed imperative need to reform the economic structure for China's socialist modernization. The party made tremendous efforts after that session to set things to rights and readjust the national economy, and carried out reform mainly in the rural areas. The 12th Congress, basing itself on the historic change consequent upon the rectification of the guiding ideology of the party, set the explicit task of reforming the economic structure systematically. It pointed out that this reform would provide an important guarantee for keeping to the socialist road and achieving socialist modernization. In the past 2 years, and particularly since the beginning of the year, the party Central Committee and the State Council have taken a number of policy decisions and issued major directives, stimulating reform in various fields in depth and breadth.

Our economic restructuring scored great achievements first in the countryside. Agricultural production, which worried us for so long, has been enabled to develop vigorously in a very short time, displaying the great vitality of our socialist agriculture. This is due fundamentally to a bold

break with "left" ideas. We have changed the structure of China's rural economy that was incompatible with the development of the forces of production in agriculture and introduced across the countryside the system of contracted responsibility for production with remuneration linked to output, bringing into play the enormous initiative of the 800 million peasants for building socialism. The rural reform is going forward and the rural economy is moving toward specialization, large-scale commodity production, and modernization. Therefore, there is an urgent need to unclog the channels of circulation between town and country, expand the market for the increasing amount of agricultural products, and satisfy the rising needs of the peasants for manufactured goods, science and technology as well as culture and education. Our successes in rural reform and the demands on the cities by the growing rural economy provide highly favorable conditions for restructuring China's entire national economy, focusing on the urban economy.

Such restructuring has been repeatedly explored and tested in recent years, and a number of important measures have been taken. This has yielded marked results and important experience, and economic life has been invigorated to an extent unknown for many years. Our urban reform is only in the initial stage, however, and defects in the urban economic structure that seriously hinder the expansion of the forces of production are yet to be eradicated. The economic effectiveness of our urban enterprises is still very low, the huge potential of our urban economy is far from being fully tapped, and there is serious loss and waste in production, construction, and circulation. Expediting reform is a prerequisite for the growth of the urban economy. The cities are economic, political, scientific, technological, cultural and educational centers where modern industry and members of the working class are concentrated, and they play the leading role in socialist modernization. Firm, systematic reform is the only way that the cities will play their due leading role of invigorating the urban economy and enlivening the domestic economy as well as opening to the outside world and promoting a healthier and faster development of the national economy as a whole.

It should also be noted that emerging on a global scale is a new technological revolution which presents both new opportunities and new challenges to our economic growth. This means that our economic structure must become better able to utilize the latest scientific and technological achievements, promoting scientific and technological advancement and generating new forces of production. Reform, therefore, is all the more imperative.

Political unity and stability in China are ever more consolidated; major successes have been achieved in economic readjustment; the economy has been growing steadily; the major targets of the Sixth Five-Year Plan (1981-1985) have been fulfilled ahead of schedule; and the country's financial situation has improved gradually. This has made all comrades in the party and the people of all nationalities much more confident about socialist modernization. Their wish to speed up reform of the economic structure is much stronger. In particular, the sound all-round consolidation of party organizations at the central and the provincial, autonomous regional and municipal levels, has set, or is setting, to rights the ideas guiding all fields of work in modernization and has given, or is giving, the reform a clear orientation. Conditions

are now ripe for all-round reform of the economic structure. We both can and must raise and expound, in a rather systematic way, a number of major issues related to the reform so as to achieve unity of thinking and enhance it among all comrades in the party (particularly among leading party cadres). We must make the reform more effective and give fuller play to the superiority of socialism. The Central Committee hopes and is confident that the 3d Plenary Session of the 12th CPC Central Committee will play a historic role in drawing up a blueprint for an all-round reform, quickening its tempo and stimulating the restructuring of the entire national economy with the urban economy as the focus, just as the 3d Plenary Session of the 11th CPC Central Committee did in setting things to rights and raising the task of restructuring the economy and promoting rural reform.

II. Reform Is Aimed at Establishing a Dynamic Socialist Economic Structure

The founding of the People's Republic of China and the establishment of the socialist system marked the end of the century-old history of our people's misery in a semifeudal and semicolonial society. The system of exploitation was abolished and the people of all nationalities became the real masters of their country. The people of the whole country, led by the Chinese Communist Party, have established an independent and fairly comprehensive industrial as well as national economic system through arduous efforts and have scored tremendous successes inconceivable in the old China, thus laying the indispensable material foundation for building China into a powerful and prosperous modern socialist country with a high level of democracy and civilization. The people of all our nationalities have come to realize through long historical experience that only socialism can save China.

The founders of Marxism predicted that by eliminating the exploitation of man by man, socialism would make possible a higher rate of labor productivity and a faster expansion of the forces of production. The profound changes that have taken place in the 35 years since the founding of the PRC are an initial demonstration of the superiority of the socialist system. But this superiority, it must be pointed out, has yet to be brought into full play. Apart from historical, political and ideological causes, a major economic cause for this is a rigid economic structure that cannot meet the needs of the growing forces of production. Following are the major defects of this structure: No clear distinction has been drawn between the functions of the government and those of the enterprise; barriers exist between different departments or regions; the state has exercised excessive and rigid control over enterprises; no adequate importance has been given to commodity production, the law of value, and the regulatory role of the market; and there is absolute equalitarianism in distribution. This has resulted in enterprises lacking necessary decision-making power and the practice of "eating from the same big pot" prevailing in the relations of the enterprises to the state and in those of the workers and staff members to their enterprises. The enthusiasm, initiative, and creativeness of enterprises and workers and staff members have, as a result, been seriously dampened and the socialist economy is bereft of much of the vitality it should possess.

China gradually established a unified and centralized economic structure on a nationwide scale in the early postliberation days and during the First Five-Year Plan (1953-1957) when the country faced the heavy tasks of unifying its financial and other economic work, carrying out socialist transformation of capitalist industry and commerce and undertaking large-scale, planned economic construction. However, control then was not very rigid in many aspects and the measures and steps we took for socialist transformation were based on China's actual conditions and were highly creative. But with the basic completion of socialist transformation and the ever-growing scale of economic construction, the measures taken to restrict and transform capitalist industry and commerce no longer suited the new situation. The defect of excessive and rigid control gradually became manifest in some aspects of the economic structure. The Central Committee and especially the comrades in overall charge of economic work, at the Eighth CPC National Congress in 1956 as well as before and after, perceived this problem and raised some suggestions for correction. However, our party was, after all, inexperienced in guiding socialist construction. Certain rigid concepts about socialism developed over the years that were not in keeping with the actual conditions in China. The influence of the "left"-deviationist errors in the party's guiding ideology after 1957, in particular, resulted in the various correct measures aimed at enlivening enterprises and developing socialist commodity economy being regarded as "capitalist." As a result of all these, the problem of overconcentration in the economic structure long remained unsolved and, what is more, became more and more serious. It is true that we tried to delegate power to lower levels on a number of occasions. But this was limited solely to readjusting the administrative power of the central and local authorities and of the different departments and regions. The critical issue of giving enterprises decisionmaking power was not dealt with. We therefore failed to break with outmoded conventions.

To bring about a radical change in the economic structure that hinders development of the forces of production, we must conscientiously sum up China's historical experience and study the concrete conditions and requirements for economic growth. In addition, we must draw on the world's advanced methods of management, including those of developed capitalist countries, that conform to the laws of modern, socialized production. In line with the party's consistent principle of integrating the fundamental tenets of Marxism with China's actual conditions and the principle of adopting a correct approach toward foreign experience, the Central Committee holds that we must emancipate our minds more, follow our own road and build a socialist economic structure with Chinese characteristics that is full of vigor and vitality so as to promote the growth of the forces of production. This is the fundamental objective of our present reform.

The basic contradiction in socialist society remains that between the relations of production and the forces of production, between the superstructure and the economic base. Reform of China's economic structure means reforming, on the premise of adherence to the socialist system, a series of interrelated links and aspects of the relations of production and the superstructure that are not suited to the development of the forces of production. As a form of self-improvement and development of the socialist system, this reform is to be

carried out under party and government leadership in a planned, systematic and methodical way. It should serve to advance, and not to impair, social stability, expansion of production, improvement of the people's living standards and the growth of state revenue. The essential task of socialism is to develop the forces of production, create ever more social wealth and meet the people's growing material and cultural needs. Socialism does not mean pauperism, for it aims at the elimination of poverty. We must, with firm determination and maximum tenacity, concentrate on economic development and modernize China's industry, agriculture, and national defense and science and technology. This is the inevitable trend of history and the wish of the people. In carrying out reform, all party comrades must unfailingly grasp the above-mentioned basic concept of Marxism and set whether the reform facilitates this task as the most important criterion for assessing the success or failure of all reforms.

III. Invigorating Enterprises Is the Key To Restructuring the National Economy

The chief and direct responsibility for industrial production and construction and commodity circulation falls on urban enterprises. They constitute the main force spurring the growth of the forces of production and encouraging economic and technological progress. China now has over 1 million urban industrial, building, transport, commercial and service enterprises, with a total work force of more than 80 million. The taxes and profits delivered by urban industrial enterprises alone account for over 80 percent of the state's revenue. This means that the enthusiasm, initiative and creativity of the urban enterprises for production and operation as well as their 80 million workers and staff members must be brought into full play; in other words, the urban enterprises must have great vitality. This has a vital bearing on basic improvement of the national economy as a whole and of the state's financial and economic situation and on quadrupling China's annual industrial and agricultural output value by the end of the century, a task set by the 12th CPC National Congress. Socialism with Chinese characteristics should, first and foremost, be able to instill vitality into the enterprises. In essence, the drawbacks of our present economic structure are precisely the lack of vitality in our enterprises. Therefore, the key to restructuring the national economy, with the focus on the urban economy, is invigoration of enterprises, particularly the large and medium-sized enterprises owned by the whole people.

With this key in mind, we must handle two types of relationships satisfactorily. That means we should extend the decisionmaking power of enterprises owned by the whole people by establishing a correct relationship between them and the state, and safeguard the status of the workers and staff members as masters of the enterprises by establishing correct relationships between them and their enterprises.

One of the main reasons why the state exercised excessive and rigid control over enterprises in the past was to equate the concept of their ownership by the whole people with the concept of their direct operation by the state institutions. As Marxist theory and the practice of socialism have shown,

ownership can be duly separated from the power of operation. To make the economic activities of all enterprises conform to the overall requirement of economic growth, the socialist state institutions must manage, inspect, guide and regulate the activities of the enterprises, as is necessary, through planning and by economic, administrative and legal means; it must use taxation and other means to concentrate in its treasury that part of enterprises' net income which should be used by the state in a unified way; it must designate, appoint and remove the principal leading members of the enterprises or approve their employment and election; and it must decide on the establishment of enterprises, their removal to other places, their switching over to other lines of products, their merger with others, suspension of operations, or closing down. However, since social demand is very complex and in a state of constant flux, since the conditions in enterprises differ in a thousand and one ways and since the economic links between enterprises are complicated, no state institution can know the whole situation fully and cope with everything in good time. If the state institutions were to directly administer and manage various kinds of enterprises owned by the whole people, it would be very hard to avoid serious subjectivism and bureaucratism, with a consequent suppression of enterprise vitality. Therefore, on the premise of following the state plans and subjecting itself to state control, the enterprise has the power to adopt flexible and diversified forms of operation; plan its production, supply and marketing; keep the budget funds it is entitled to retain; appoint, remove, employ or elect its own personnel according to relevant regulations; decide on how to recruit and use its work force, and on wages and rewards; set the prices of its products within the limits prescribed by the state; and so on. In short, the enterprise should be truly made a relatively independent economic entity and should become a producer and operator of socialist commodity production that is independent and responsible for its own profit and loss and capable of transforming and developing itself and that acts as a legal person with certain rights and duties. This is the way to ensure both overall unity of the growth of the national economy as a whole and the diversity and flexibility of individual enterprises in production and management as well as their desire to make progress. Instead of weakening socialist ownership by the whole people, this will contribute to consolidating and improving it.

The wellspring of vitality of the enterprise lies in the initiative, wisdom and creativeness of its workers by hand and brain. When the status of the working people as masters of their own enterprise is guaranteed by its rules and regulations and when their labor is closely linked with their own material benefits, their initiative, wisdom and creativeness can be brought into full play. This has been vividly and convincingly proved by our experience in rural reform. In restructuring the urban economy, it is imperative to handle correctly the relationship of the workers and staff to their enterprise so that they are its real masters and can work as much at their jobs. This will arouse their deep interest in the operation and effectiveness of their enterprise, so that their performance is closely linked with their social prestige and material benefits. Modern enterprise calls for centralized and unified leadership and direction of production and strict labor discipline. Because ours are socialist modern enterprises, in carrying out such centralized leadership and strict discipline, we must resolutely ensure

the workers and staff and their elected representatives the right to participate in democratic management of the enterprise. Under socialism, there is unity between the authority of the enterprise's leadership and the status of the working people as masters of the enterprise and their initiative and creativity. This unity is a prerequisite for the proper, effective exercise of their initiative.

Correct relations between the state and the enterprise and between an enterprise and its workers and staff are the essence and basic requirement of the restructuring of the national economy as a whole with focus on the cities. Fulfillment of this basic requirement inevitably calls for reform of every aspect of the entire economic structure. This involves a whole range of reforms including planning, pricing, economic management by state institutions, and labor and wage system. The Central Committee is of the opinion that these reforms should be carried out step by step in harmony with the inherent connections between the various links of the national economy, according to the degree of ripening of the subjective and objective conditions and in the right order of importance, urgency and feasibility, and that they should basically be accomplished in about 5 years. Specific plans will be drawn up separately to this end.

IV. Establish a Planning System Under Which the Law of Value Is Consciously Applied for Developing a Socialist Commodity Economy

Socialist society practices a planned economy on the basis of public ownership of the means of production. It can thus avoid the anarchy of production and cyclical crises characteristic of capitalist society and ensure that production constantly meets the growing material and cultural needs of the people. This is one of the fundamental indicators of the superiority of a socialist economy over a capitalist economy. Since the founding of the PRC, we have practiced a planned economy and concentrated vast financial, material and human resources on large-scale socialist economic construction, with tremendous achievements to our credit. At the same time, historical experience shows that the socialist planning system should be one that combines uniformity and flexibility. We must take into account China's vast territory and large population, the difficulty of drastically improving in a short period its poor transport conditions, its inadequate information facilities, and the obviously uneven economic and cultural development of its various regions, and we must realize that because of China's rather undeveloped commodity production at the present stage, it is necessary to stimulate commodity production and exchange. In view of all this, it is all the more urgent for us to institute this planning system. If the actual conditions of our country are ignored and if we try to incorporate all economic activities into the plans and implement them by administrative orders alone in disregard of the importance of the economic levers and the market, then there will unavoidably be a discrepancy between the subjective guidelines for planning and objective conditions, with the plans seriously out of step with reality. After the October Revolution, Lenin expressed the idea when working out Russia's plan for electrification that: "A complete, integrated, real plan for us at present equals 'a bureaucratic utopia.'" "Don't chase it," he added. Although China's conditions today are vastly different from those of Russia

at that time when its economy was in extreme difficulties, our practical experience has proved that this idea of Lenin's was not only applicable to the Russia of that day, it is also of lasting significance. We must be realistic and admit that for a considerably long time to come, our national economic plans on the whole can only be rough and elastic and that we can do no more than, by striking an overall balance in planning and through regulation by economic means, exercise effective control over major issues while allowing flexibility on minor ones. In this way, we will be able to ensure the appropriate proportions between the major economic branches and, in general, the proportionate and coordinated growth of the national economy.

In the reform of the planning system, it is necessary first of all, to discard the traditional idea of pitting the planned economy against the commodity economy. We should clearly understand that the socialist planned economy is a planned commodity economy based on public ownership, in which the law of value must be consciously followed and applied. The full development of a commodity economy is an indispensable stage in the economic growth of society and a prerequisite for our economic modernization. It is the only way to invigorate our economy and prompt enterprises to raise their efficiency, carry out flexible operations and promptly adapt themselves to complex and changing social demands. This cannot be achieved by relying only on administrative means and mandatory plans. Meanwhile, we must also realize that the extensive growth of a socialist commodity economy may also lead to certain disorder in production, and there have to be guidance, regulation and administrative control through planning. This can be achieved under socialist conditions. Therefore, a planned economy by no means excludes the application of the law of value and the growth of commodity economy; they in fact form a unity. It would be wrong to pose one against the other. The difference between socialist and capitalist economy, as far as commodity economy and the law of value are concerned, lies not in whether these are still functioning, but in the difference in ownership, in whether there is an exploiting class and whether the working people are masters of the state, and in the different purposes of the production, in whether the law of value can be consciously applied throughout society and in the different scopes of commodity relations. Under our socialist conditions, neither labor power nor land, mines, banks, railways and all other state-owned enterprises and resources are commodities.

In the light of historical experience and the practice since the 3d Plenary Session of the 11th CPC Central Committee, the basic characteristics of our planned system can be further summed up as follows: First, ours is on the whole a planned economy, that is, a planned commodity economy, not a market economy that is entirely subject to market regulation. Second, production and exchange completely subject to market regulation are confined mainly to certain farm and sideline products, small articles of daily use and labor services in the service and repair trades, all of which play a supplementary but indispensable role in the national economy. Third, our planned economy does not necessarily mean the predominance of mandatory planning, both mandatory and guidance planning being its specific forms. Fourth, guidance plans are fulfilled mainly by use of economic levers; mandatory plans have to be implemented, but even then the law of value must be observed. To reform our present planning system in accordance with the above points, it is necessary,

step by step and to an appropriate extent, to reduce the scope of mandatory planning and extend guidance planning. Mandatory planning will be applied to major products which have a direct bearing on the national economy and the people's livelihood and which have to be allocated and distributed by the state, as well as major economic activities that affect the overall situation. Other products and economic activities which are far more numerous should either come under guidance planning or be left entirely to the operation of the market, as the case may require. The focus of planning will be shifted to medium- and long-term planning, and annual plans will be appropriately simplified. There should be a corresponding reform of the methods of planning. Full attention should be paid to economic information and forecasting so as to raise the scientific level of planning.

V. Establish a Rational Price System and Pay Full Attention to Economic Levers

Because the law of value was long neglected and because of various other historical reasons, there is much confusion in our present system of pricing. The prices of many commodities reflect neither their value nor the relation of supply to demand. This irrational price system has to be reformed. Otherwise it will be impossible to assess correctly the performance of enterprises, ensure the smooth circulation of goods between urban and rural areas, promote technological advances and rationalize the production mix and consumption patterns. This will result in an enormous waste of social labor and seriously hamper application of the principle of distribution according to work. As the decisionmaking power of enterprises grows, pricing will be increasingly important in regulating their production and operation. It is, therefore, all the more urgent to establish a rational system of pricing. The various aspects of the reform in economic structure, including planning and wage systems, depend to a large extent on reform of the price system. Pricing is a most effective means of regulation, and rational prices constitute an important condition for ensuring a dynamic yet not chaotic economy. Therefore, reform of the price system is the key to reform of the entire economic structure.

Our present irrational system finds expression mainly in the following: inadequate price differentials for a given product with diverse quality; irrational price ratios between different commodities, particularly the relatively low prices for some mineral products and raw and semifinished materials; and the retail price of major farm and sideline products being lower than their state purchasing price. From now on, we must gradually redress this irrational situation.

The irrational system of pricing is closely related to the irrational system of price control. In readjusting prices, we must reform the overcentralized system of price control, gradually reducing the scope of uniform prices set by the state and appropriately enlarging the scope of floating the prices within certain limits and of free prices. Thus prices will respond rather quickly to changes in labor productivity and the relations between market and supply and demand and better meet the needs of national economic development.

As the reform of the price system affects every household and the national economy as a whole, we must be extremely prudent, formulate a well-conceived, feasible program based on the growth of production and the capability of state finances and on the premise that the people's real income will gradually be increased, and then carry it out in a planned and systematic way. The principles guiding the reform are: First, we should readjust irrational price ratios on the basis of the exchange of equal values and changes in the relation between supply and demand, lowering or raising prices as the case may be. Second, when the price of some mineral products and raw and semifinished materials is raised, the processing enterprises must substantially cut down consumption so that the increased production cost resulting from the higher price of such products and materials can be basically offset within the enterprises, with only a small part of the increase being borne by the state through tax reductions and exemptions. This will avoid a consequent rise in market sales prices of manufactured consumer goods. Third, in solving the problem of the state purchasing farm and sideline products at prices higher than their selling prices and in readjusting the prices of consumer goods, we must adopt effective measures to ensure that the real income of urban and rural inhabitants does not go down as a result of price readjustments. Instead, with the growth of production and improvement in economic results, the pay of workers and staff members will have to be raised gradually. It must be widely publicized among the people that on the condition of developed production and ever greater abundance of goods, the reform of the price system and readjustment of various irrational price ratios carried out on our own initiative will never bring about a general and spiralling price rise. Such a reform is the urgent need for further developing production and accords with the fundamental interests of the consumers. All enterprises should achieve better economic results through efforts to improve management and operation and should never try to increase their income by price increases. It is absolutely impermissible for any unit or person to boost prices at will by taking advantage of the reform, deliberately generating a tendency toward a general rise in prices, disrupt the socialist market and harm the interests of the state and the consumer.

While reforming the price system, we should further improve the tax system and reform the financial and banking systems. The more the economy is enlivened, the more attention we should pay to macroeconomic regulations and the more we should try to have timely grasp of economic trends so as to use pricing, taxation, credit and other economic levers better. This will help regulate such major proportional relations as those between aggregate social supply and aggregate social demand and between accumulation and consumption, regulate the direction of the flow of financial, material and human resources, regulate the industrial setups and the distribution of the forces of production, regulate market supply and demand, regulate external economic exchange, and so on. We have fallen into the habit of using administrative means to keep the economy functioning and have long neglected the use of economic levers for regulation. Economic departments at various levels, especially the departments in charge of comprehensive economic management, must take it as an important task to learn to use the economic levers and make this aspect the focus of our leadership over economic work.

VI. Separate Government From Enterprise Functions So That Government Organs Can Properly Perform Their Function of Managing the Economy

After the proletariat and the whole people take state power in their hands, it becomes a basic function of the state organs to lead and organize economic construction. Over the past 30 years or more since the founding of new China, our state organs have, on the whole, played a significant role in performing this function. But how the state organs, especially government departments, can better lead and organize economic construction to meet the needs of the national economy and social development still remains a question calling for effective solution. The functions of government for a long time were not separated from those of enterprises, which in fact became appendages of administrative organs, and the central and local governments took responsibility for many matters which were not really theirs and at the same time did not do well what they ought to do. This, plus barriers between different departments or regions and the practice of endless wrangles, increased the difficulties in running enterprises. If this state of affairs were not changed, the enthusiasm of the enterprises and other grassroots units could not be aroused, cooperation, association and competition between enterprises could not develop, and a unified socialist market would not grow. Moreover, the role that government organs should play in managing the economy would be seriously weakened. So there is a pressing need to conduct reform in line with the principle of separating the functions of government and enterprises, streamlining administration and instituting decentralization in order to invigorate the enterprises and the national economy as a whole.

Practical experience over the years shows the following to be the principal functions of government organs in managing the economy: They should formulate the strategy, plans, principles and policies for economic and social development; work out plans for the exploitation of natural resources, for technological transformation and for the development of intellectual resources; coordinate the development plans of localities, departments, or enterprises and the economic relations among them; arrange for the construction of projects, especially those in energy, transport and the raw and semi-finished materials industries; collect and disseminate economic information; learn to utilize economic means of regulation; work out economic regulations and ordinances and supervise their execution; appoint and remove cadres within a prescribed scope; administer matters related to external economic and technological exchanges and cooperation; etc. The performance of these functions requires immense efforts on the part of the governments at various levels. In the past some of the functions were not performed well and others not performed at all. As far as the relations between governments and enterprises are concerned, from now on government departments at various levels will, in principle, not manage or operate enterprises directly. As for the small number of government economic departments that have been entrusted by the state with direct operations and management of enterprise, they must also correctly handle their relations with the enterprises under them through simpler administration and decentralization so as to enhance the capacity of enterprises and other grassroots units for independent management and avoid drawbacks that may arise from overcentralization. The national and local corporations are economic associations set up for better economic development

and mutual benefit of enterprises concerned. They must be enterprises and not administrative organs, and must not follow old practices, but should master modern methods of scientific management.

After the functions of government and enterprises are separated, the central role of cities must be brought into full play and open and interconnected economic zones of various sizes gradually formed with support from cities, the large and medium-sized cities in particular. In this reform it is necessary to call the attention of all leading urban comrades to the need for the city governments to separate their functions from those of enterprises and achieve simpler and decentralized administration, and not to repeat the past practice of mainly depending on administrative means to control enterprises so as to avoid creating new barriers between departments or regions. City governments should concentrate on urban planning, construction and management; building public facilities; carrying out comprehensive ecological improvement; guiding and promoting the specialized cooperation of enterprises, their reorganization, association and technical transformation and the modernization of their management and operation; guiding and promoting a rational circulation of materials and commodities; improving cultural, educational, public health and social welfare work and various services; promoting the building of a civilization with a high cultural and ideological level, and the fostering of better social conduct; and maintaining public order. Moreover, they should also work out satisfactory medium- and long-term plans for economic and social development based on the general requirements of developing the national economy and on local conditions.

The relationship between socialist enterprises is first of all one of cooperation and mutual support, but this by no means excludes competition. For a long time, people used to consider competition peculiar to capitalism. As a matter of fact, where there is commodity production, there is bound to be competition. The point is that the purposes, nature or scope and means of competition vary under different social systems. Competition between socialist enterprises is fundamentally different from that under capitalism where the law of the jungle prevails. On the basis of public ownership and subject to the control of state planning and laws, and for the purpose of serving socialist modernization, our enterprises are put to the test of direct judgment by consumers in the market place so that only the best survive. This will help to break the blockade and monopoly hampering the growth of production, lay bare the defects of enterprises quickly and stimulate enterprises to improve technology, operation and management. It will stimulate the economy as a whole and benefit socialism. As for some undesirable trends and unlawful acts that may appear in the course of competition, the relevant leading organs at various levels should keep a clear head and strengthen education and control and tackle such problems in real earnest.

More and more norms guiding economic relations and activities will have to be framed in the form of law in the restructuring of the economy and national economic development. State legislative bodies must produce economic legislation faster, the courts should make greater efforts to try economic cases, the procuratorates should strengthen their work in dealing with economic

crimes, and the judicial departments should offer active legal services for economic construction.

The separation of the functions of government and enterprises as well as simpler and decentralized administration constitutes a deep-going transformation of the socialist superstructure. When the structure changes, the organization and the style of thinking and work should also change. We must unhesitatingly change the working style of government departments in accordance with the principles of serving the people and of streamlining, unification, and efficiency, and raise the competence of their functionaries. We must end the long-standing practice of leading organs making enterprises and units completely dependent on them, instead of serving the enterprises and other grassroots units, and eliminate such bureaucratic maladies as organizational overlapping, overstaffing, vague delimitation of functions, and endless wrangling. The leading organs at various levels will thus be able to orient their work toward promoting production, serving the enterprises and other grassroots units, and helping build a strong and prosperous country and bring prosperity and happiness to the people.

VII. Establish Various Forms of Economic Responsibility System and Conscientiously Implement the Principle of Distribution According to Work

Experimental urban reforms in the past few years have amply demonstrated that the basic experience of the system for contracted responsibility in the rural areas is also applicable in the cities. Enterprises must specify in explicit terms the requirements for each work post and the duties of each worker and staff member, and must establish various forms of the economic responsibility system with contracted jobs as the main content, so as to invigorate the urban enterprises, raise the sense of responsibility of the workers and staff members and bring into full play their initiative, enthusiasm, and creativeness. The basic principles of this responsibility system are a combination of responsibility, authority and benefit; the unity of the interests of the state, the collectives and the individuals; and the linking of the income of workers and staff members with their job performance. In applying rural experiences to urban areas, we must take into account the characteristics of urban enterprises. It is neither feasible nor necessary to transplant mechanically the specific measures of the rural areas. As the nature of trades and the size and production conditions of enterprises differ from one another, urban enterprises cannot follow a single model of responsibility system. Our comrades, leading comrades of enterprises in particular, should always proceed from reality and in the course of practice gradually work out concrete forms of the responsibility system suited to their specific conditions. Then the contracted responsibility system will take root, blossom and bear fruit in the cities.

Modern enterprises have a minute division of labor, a high degree of continuity in production, strict technological requirements, and complex relations of cooperation. It is therefore necessary to establish a unified, authoritative, and highly efficient system to direct production and conduct operations and management. This calls for a system of the director or manager assuming full responsibility. Party organizations in enterprises

should actively support directors in exercising their authority in giving unified direction to production and operations, guarantee and supervise the implementation of the principles and policies of the party and the state, strengthen the party's ideological and organizational work in enterprises, improve their leadership over the trade unions and Communist Youth League organizations, and do effective ideological and political work among the workers and staff members. While the director assumes full responsibility, we must improve the system of congresses of workers and staff members and other systems of democratic management, give play to the authority and role of the trade union organizations and workers' and staff members' deputies in examining and discussing major decisions to be taken by the enterprises, supervising administrative leadership and safeguarding the legitimate rights and interests of the workers and staff members. All of this expresses the status of the working people as masters of the enterprise. Their status is determined by the nature of the socialist enterprise and must in no way be neglected or weakened.

With the general replacement of profit delivery by taxes and the widespread establishment of various forms of economic responsibility in enterprises, the socialist principle of distribution according to work will be implemented more fully. An important step already taken in this respect is that enterprises decide on the amount of bonuses for their workers and staff members according to the results of enterprise operation, while the state only collects an appropriate amount of tax on the above-norm bonus from enterprises. In the future, adequate measures will be taken to better link wages and bonuses with the improved enterprise performance. In the enterprises, the difference between the wages of various trades and jobs should be widened, so as to apply fully the principle of rewarding the diligent and good and punishing the lazy and bad and of giving more pay for more work and less pay for less work as well as to fully reflect the differences between mental and manual, complex and simple, skilled and unskilled, and heavy and light work. In particular, it is necessary to change the present remuneration for mental work which is relatively low. We should also reform the wage system in state institutions and public organizations in accordance with the principle of linking wages with responsibilities and achievements. While reform of the wage system in enterprises, state institutions and public organizations is under way, the reform of the labor system will be speeded up.

There has long been a misunderstanding about the distribution of consumer goods under socialism as if it meant equalitarianism. If some members of society got higher wages through their labor, resulting in wide gaps in income, it was considered polarization and a deviation from socialism. This equalitarian thinking is utterly incompatible with scientific, Marxist views on socialism. History has shown that equalitarian thinking is a serious obstacle to implementing the principle of distribution according to work and that if it is unchecked, the forces of production will inevitably be undermined. Naturally, a socialist society must guarantee its members a gradual improvement in material and cultural life and their common prosperity. But, common prosperity cannot and will never mean absolute equalitarianism or that all members of society become better off simultaneously at the same speed. If common prosperity were understood as absolute equalitarianism and

simultaneous prosperity, not only would this be impossible, but such thinking would lead to common poverty. Only when some regions, enterprises and individuals are allowed and encouraged to get better off first through diligent work can there be a strong attraction and inspiration to the majority of the people. More and more people will be prompted to take the road of prosperity, one group after another. At the same time, we must provide social relief for the old, weak, sick, disabled, and for widows, widowers, orphans, and childless elders who cannot support themselves. We must aid those who have not yet become well-off and adopt special and preferential policies toward some old revolutionary base areas and minority nationality, remote, and other areas where the economy is still very backward, and give them the necessary material and technical assistance. The difference arising from the prosperity of some people before others is a difference in speed, with all members of society advancing on the road to common prosperity. It is certainly not polarization, which means that a handful of people become exploiters while the vast majority fall into poverty. The policy of encouraging some people to get better off earlier accords with the law of socialist development and is the only road to prosperity for the whole of society.

We must never discard the fine tradition of working hard and building the country through diligence and thrift that was developed during the long period of our revolution and construction. In the new historical period this tradition chiefly means the spirit of working hard and defying all difficulties in dedication to the motherland and the people, practice of strict economy in production and construction, opposition to any act that squanders state materials and funds, and avoidance of erroneous policy decisions that result in waste. It should not be misconstrued as overlooking due growth in the people's level of consumption. According to the basic tenets of Marxism, production is the starting point and the predominant factor of all economic activities and determines consumption, but consumption also determines production in that the growth of consumption gives a strong impetus to creation of new social demands, opens up vast markets and encourages production. We must gradually bring about substantial increases in the pay of workers and staff members and in the people's level of consumption. This should be based on increased production, better economic results, a steady increase in state revenue, and a correct proportion of accumulation and consumption. It is incorrect to put forward demands for consumption in excess of the capacity of current production. But it is likewise incorrect not to appropriately increase but keep restricting consumption that is well within the capacity of current production.

VIII. Work To Develop Diverse Economic Forms and Continue To Expand Foreign and Domestic Economic and Technological Exchanges

We must mobilize all positive factors if we are to achieve rapid growth in all fields of production and construction and make our country strong and prosperous and our people rich and happy at a fairly fast pace. Under the guidance of state policies and planning, the initiative of the state, the collective and the individual should all be encouraged. We must work to develop diversified economic forms and various methods of management. And we must actively expand foreign economic cooperation and technological

exchange on the basis of independence, self-reliance, equality and mutual benefit, and mutual good faith.

Enterprises owned by the whole people constitute the leading force in China's socialist economy and are decisive in ensuring our socialist orientation and the steady growth of our entire national economy. But their consolidation and development should not be predicated on restriction and exclusion of other economic forms and other methods of management. The collective economy is an important component of the socialist economy, and we can give the collectives a free hand in running enterprises in many areas of production and construction. The individual economy now found in China is linked with socialist public ownership and differs from the individual economy linked with capitalist private ownership. It plays an irreplaceable role in expanding production, meeting the people's daily needs and providing employment. It is a necessary and valuable adjunct to the socialist economy and is subordinate to it. At present, we should try to remove obstacles in the way of the collective economy and individual economy in cities and rural towns and create conditions for their development and give them the protection of the law. We should promote individual economy particularly in those economic fields mainly based on labor services and where decentralized operation is suitable. Meanwhile, we should, on the basis of voluntary participation and mutual benefit, extensively encourage diverse and flexible forms of cooperative management and economic association among the state, collective, and individual sectors of the economy. Some small state-owned enterprises can be leased to collectives or individuals, or run by them on a contract basis. It is our long-term policy and the need of socialist development to promote diversified economic forms and various methods of operation simultaneously. This is not retrogression to the new-democratic economy of the early period of the People's Republic when the socialist public ownership was not yet predominant in town and country. Far from undermining China's socialist economic system, the new policy will help consolidate and develop it.

Marx and Engels pointed out long ago in the "Manifesto of the Communist Party" that with the exploitation of the world market due to the growth of capitalism, the old local and national seclusion and self-sufficiency had given place to intercourse between nations in every direction, and production and consumption in every country had become cosmopolitan in character. The productive forces, including science and technology in our times, are developing ever faster. Although international relations are complex and ridden with contradictions, international economic and technological ties are, generally speaking, very close, and national seclusion cannot lead to modernization. Since the 3d Plenary Session of the 11th CPC Central Committee, we have taken opening to the outside world to be our long-term, basic state policy, a strategic measure for accelerating socialist modernization. Practice has already yielded marked results. We must continue to pursue flexible policies, reform our foreign trade structure in line with the principle of both arousing the enthusiasm of all quarters and developing a unified approach in our external dealings. We will work to expand economic and technological exchanges and cooperation with other countries, strive for the success of the special economic zones and open coastal cities more fully. Using foreign funds and attracting foreign businessmen for joint ventures,

cooperative management or exclusive investment in enterprises are also a necessary and beneficial complement to China's socialist economy. We must make the best use of both domestic and foreign resources and both the domestic and foreign markets, and learn both to organize domestic construction and develop foreign economic relations.

As we open to the outside world, we shall open up even more between different areas within China itself. We should smash blockades and open doors in the relations between economically more developed and less developed areas, coastal areas and interior and border areas, cities and countryside, and between all trades and enterprises. We must act in conformity with the principle of making the best possible use of favorable conditions and avoiding the effects of unfavorable ones, developing diversity of forms, offering mutual benefit and achieving common progress, and strive to develop economic relations among enterprises and regions, promote appropriate exchanges of funds, equipment, technology, and qualified personnel, introduce diverse forms of economic and technological cooperation and run joint economic enterprises. This will speed up the rationalization of our economic setup and of the geographical distribution of our enterprises and accelerate modernization.

IX. Promote a New Generation of Cadres and Create a Mighty Contingent of Managerial Personnel for the Socialist Economy

Reform of our economic structure and the development of our national economy badly need a large contingent of managerial and administrative personnel, and especially managers, who are both knowledgeable in modern economics and technology and imbued with a creative, innovative spirit, and who are capable of bringing about a new situation in whatever they do. The point now is that our contingent of managerial personnel falls far short of the above requirements. We have large numbers of veteran comrades in this contingent who, in the long period of hard struggle, have made great contributions to our socialist economic construction. Their good work style, managerial ability and steadfastness in observing the rules of inner-party life had an educational influence on many young and middle-aged cadres. But they are getting up in years, and we can no longer ask them to continue in arduous leading posts. Our present urgent task is to promote boldly thousands upon thousands of young and middle-aged managerial personnel and take steps to train them.

Large numbers of talented persons have come to the fore in economic construction, especially in the course of party consolidation and the reform of the economic structure. Party committees at all levels must take pains to discover and assess them and must not be fettered by outdated ideas and conventions. They must not fault-find and demand perfection and must guard against the influence of factionalism and gossip. When we act in this manner, we can discover large numbers of excellent cadres. Of course, young and middle-aged cadres lack experience in giving leadership. But they can gain experience through tempering in practical work and will gradually do so. Under no circumstances should we use lack of experience as an excuse for holding back young cadres. We have to be analytical in our attitude to

experience. Our comrades accumulated rich experience, both positive and negative, in the course of revolution and construction. This is very valuable. Generally speaking, however, all our cadres, old, middle-aged or young, are facing brand-new tasks in the new historical period and all lack the new knowledge and experience necessary for modernization. All of them will have to reevaluate their capabilities and make new efforts to learn. It would be wrong to hang on to the outmoded and rest complacent about experience that is no longer applicable.

The Central Committee calls for completion of the reshuffling of leadership in enterprises, especially key enterprises, before the end of 1985. In addition, plans should be drawn up and effective measures taken to train fairly soon large numbers of directors (managers) who can successfully organize and direct enterprise production and operations, of chief engineers who can strengthen technical management and promote technological progress, of chief economic managers who can improve business operations for better economic results, of chief accountants who can strictly uphold financial and economic discipline, do careful budgeting and exploit new sources of revenue, and of party secretaries who can keep to a correct political orientation and unite the workers and staff members of the enterprises. This is how to create a mighty contingent of managerial and technical cadres for the socialist economy. This contingent should consist of qualified personnel in all trades and occupations for the whole chain of enterprise management.

The Central Committee has pointed out on many occasions that in our drive for socialist modernization we must respect knowledge and talented people. We must combat all ideas and practices that belittle science and technology, the cultivation of intellectual resources, and the role of intellectuals. We must take resolute action to redress cases of discrimination against intellectuals which still exist in many localities and to raise the social standing of intellectuals and improve their working and living conditions. All our reforms must lead to progress in science and technology, to greater initiative of the localities, departments, units and individuals in making effective use of intellectual resources, and must enable our vast numbers of young people as well as workers, peasants, and intellectuals to raise their cultural and technical levels quickly. Those who have made important inventions and innovations or other outstanding contribution should be amply rewarded.

Science, technology and education are extremely important in developing our national economy. Advances in reforming the economic structure pose as a matter of increasingly urgent strategic importance the reform of our scientific, technical and educational setups. The Central Committee will hold special discussions on these issues and take relevant decisions.

X. Strengthen Party Leadership To Ensure the Success of Reform

Reform of China's economic structure will be carried out over a fairly broad area and in a fairly deep-going way. It will have a direct bearing on the nation's future and affect the vital interests of millions upon millions of workers, peasants and intellectuals. All party comrades should stand in the

forefront of the reform, which represents the trend of our times. This reform is an exploratory and innovative undertaking by the masses and it is very complex. We are generally now at the stage of accumulating experience in the reform of the entire economic structure which focuses on cities, and the vast number of cadres are not familiar with this work. Leading party and government functionaries at all levels have to be sober-minded and give meticulous guidance. They should emancipate their minds, seek truth from facts and proceed from reality and carry out party policies creatively by integrating them with the actual situation in each locality, department, and unit. Full consideration should be given to the particularities of the regions concerned in reforming the economic structure in minority nationality regions. All moves in the reform have to be tested in practice, through which new experience will be acquired. Errors can hardly be avoided, but we should make every effort to prevent them whenever possible. Once an error does occur, we must try to discover it promptly, resolutely correct it, draw the lessons, and continue to go ahead. We should take active but prudent steps in carrying out reforms. We should carry them out firmly where we are sure of success, make reforms one by one when the conditions are ripe, and make experiments when we are not sure of success. We must not try to accomplish the whole task at one stroke. All major reforms which affect the whole country will be arranged by the State Council under a unified plan. All localities, departments, and units should be encouraged to conduct exploratory and pilot reforms. Nevertheless, any reform involving the overall situation or one that is extensive in scope must first be approved by the State Council.

Party organizations in numerous localities and enterprises will undergo consolidation next year. Reform should be closely linked with this. Party consolidation should promote economic growth, which is an indicator of how successful it is. While carrying out the reform, we must strengthen the leadership over party consolidation, making sure that the consolidation will not become a mere formality. The more we enliven the economy and invigorate enterprises, the more we must pay attention to combating the corrosive influence of capitalist ideas, eliminating the decadent practice of seeking personal gain by abusing one's position and authority and preventing any action that seriously harms the interests of the state and the consumers, and the more we should strengthen the building of a fine party style and sense of discipline and maintain healthy inner-party political life. In ideological and organizational work in the new historical period, we must firmly carry out the party's guiding principle that such work should help fulfill the general task and reach the general goal set by the party and be closely linked with economic construction and reform of the economic structure. We should actively support cadres and the masses who are keen on reforms. When errors or deviations appear in the course of reform, apart from those seriously violating the law and discipline which must be dealt with according to law, we should adopt a policy of persuasion, criticism and education toward the persons concerned and must not stick political labels on them. People with different views and approaches about reforms may discuss their differences. We must not divide the cadres and masses by calling some people "reformers" and others "conservatives." We should have faith in comrades who fall behind the developing situation for a time, confident that they will understand things better in the course of reform. In the past 5

years of rural reform, many comrades who had doubts about it have been convinced by the facts and have changed their views. The Central Committee has adhered to the principle of patient education in guiding rural reform, thereby ensuring its smooth progress. This is a valuable experience in solving ideological problems inside the party on the question of major policies, and we should keep to this principle in the future. By citing the facts about reform, we should provide party members and the masses with lively education in the theory and policies of the reform. This will help them realize that socialism with Chinese characteristics should be full of vitality, different from the rigid pattern of the past and fundamentally different from the capitalist system. This will deepen their understanding of scientific socialism so that they devote themselves to making reforms.

The reform of economic structure will lead to tremendous changes not only in people's economic life, but also in their mental outlook and way of life. We should build socialist civilization with both a high material level and a high cultural and ideological level. This is our party's unswerving principle. While trying to create a socialist economic structure full of vigor, we should work to create a cultured, healthy and scientific way of life for the whole society that meets the requirements of expanding the modern forces of production and social progress, and eliminate backward and decadent ideas and ignorance. We should foster throughout society an active, forward-looking and enterprising attitude and overcome such forces of habit as complacency, mental sluggishness, fear of change and conventionality. Such an approach to life and such an attitude are important aspects of a socialist civilization that has a high cultural and ideological level. They give great impetus to reform of the economic structure and the building of a socialist civilization with a high material level. Comrade Mao Zedong said: "Mankind makes constant progress and nature undergoes constant change; they never remain at the same level. Therefore, man has constantly to sum up experience and go on discovering, inventing, creating and advancing. Ideas of stagnation, pessimism, inertia and complacency are all wrong. They are wrong because they agree neither with the historical facts of social development nor with the historical facts of nature so far known to us." This statement is a graphic expression of one of the fundamental points of view of the Marxist world outlook and conception of history. The Chinese communists take the constant promoting of social development and progress as their historical mission. Our party led the masses of the people under reactionary rule in the past in making revolution to overthrow the old order. Under the socialist system with the people as masters of the country, our party has been leading the masses in conscientiously carrying out reforms and building China into a modern, powerful socialist country with a high level of culture and democracy.

The current situation is very favorable to reform. The people are highly creative in this endeavor. By relying on their wisdom and strength and adhering to the four cardinal principles, we will certainly succeed in our reform and fulfill the general task and reach the general goal set by the 12th CPC National Congress.

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COMMUNIST PARTY MEMBERS MUST STAND IN THE FOREFRONT OF REFORM

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[Editorial]

[Text] The 3d Plenary Session of the 12th CPC Central Committee has concluded in victory.

The 3d Plenary Session of the 11th CPC Central Committee, which is of great historical significance, carried out bringing order out of chaos in our guiding idea, restored and developed Comrade Mao Zedong's ideological line of seeking truth from facts, and decided to shift the focus of work of the whole party on socialist modernizations. Since the session, the Central Committee has proposed and implemented a series of important principles, policies, and measures suitable to the actual conditions of our country, which have brought about laudable changes in the features of the whole country within a few years, drawing the attention of the whole world. People of all nationalities throughout the whole country are greatly inspired with enthusiasm by the flourishing in all fields, and the marked improvement in the people's living standards.

The 3d Plenary Session of the 12th CPC Central Committee has the same far-reaching historical significance. The decision on the reform of the economic system adopted by the session is an extremely important Marxist-Leninist document, which has made a systematic, all-round, scientific discussion and has made regulations in principle concerning the necessity and significance in carrying out all-round reform in the economic system of our country, the nature, purpose, essences, principle, and approaches of the reform, and the relationship between all items of reform. It has made a clear Marxist-Leninist answer to some questions put forth in the practice and theory of socialist construction over a long period of time, and has developed Marxist political economics and scientific socialism. The "Decision" has drawn a blueprint for reform, providing an explicit orientation, correct policies, feasible methods and measures for reform. History will prove that like the 3d Plenary Session of the 11th CPC Central Committee, the current plenary session will become an important milestone in the history of socialist construction of our country. Since the 3d Plenary Session of the 11th CPC Central Committee, important achievements have been made in the reform in the economic structure in the rural areas. And the results have also been

good in the initial reform of the whole economic system with the urban areas as the key link. At present, the Central Committee has decided to carry out all-round reform of the economic structure and to build a socialist economic system with Chinese characteristics full of vigor and vitality, with strengthening the vitality of the enterprises as the key link. This important decision will certainly further emancipate the productive forces, and will tremendously bring into play the initiatives and creativeness of millions of people, so as to lastingly bring into full play the superiority of the socialist system and to promote the quicker progress of the modernizations.

The reform of the economic structure in our country is proposed on the basis of a full investigation of the practical experiences at home and abroad and experiments and it gives expression to the requirement of the objective law for socialist modernization and to the yearning of the millions of people for doing a good job in the construction of our country even more quickly. Not so long ago, Comrade Deng Xiaoping pointed out: "Now our reform has shifted from the rural to the urban areas, and an all-round reform is to be carried out. We are most pressed for reform. If reform is not carried out in the urban areas, work in the urban areas will fail to meet the needs of the development of the rural areas which make up 80 percent of the country's total population, and will impede the continuous advance of the rural areas. Looking at the results of rural reform, reform in the urban areas is not only imperative, but will prove to be successful. This will ensure the fulfillment of the goal of quadrupling the annual industrial and agricultural output value of our country by the year 2000."

Communist members should play an exemplary role and stand at the forefront of reform. They should actively plunge themselves into reform together with the masses, make exploration in reform, and promote it so as to make it advance actively and steadily.

The CPC is a revolutionary party, which continues to carry out reform in the objective world and the party itself. In the past, we made revolution to overthrow imperialism, feudalism, and bureaucrat-capitalism which weighed like mountains on the backs of the Chinese people; later we carried out socialist transformation, and these tasks have been completed. The basic tasks for the present stage are to develop productive forces, to fulfill the four modernizations, and to build our country into a socialist country with a high level of civilization and democracy. To develop productive forces chiefly involves the struggle against nature; however, if reform is not carried out in some of the links or aspects in the relations of production and the superstructure which have impeded the development of productive forces, it will be impossible for productive forces to develop even more quickly. The basic interests of the people of the whole country as well as the whole party lie in reform. We communists should take serving the people heart and soul as the criterion for our words and actions. To show concern for the four modernizations, and for the basic interests of the masses, we must show concern for and promote reform.

The leading cadres of the party and every communist member should seriously study the Central Committee's decision, and organize the masses to study well the "Decision," so that they may firmly believe in the correctness of reform, and strengthen their faith in the success of reform. Our reform is not that of the basic system, which still persists in socialism, nor is it the reform of any individual problem, but the all-round reform of the economic system. Reform is in conformity with the people's interests and needs, which will certainly make the socialist system more complete and perfect, productive forces develop still faster, and the country more prosperous and the people richer. This has been fully proved in the practice of reform in the rural areas, and it will certainly be further proved in urban reform.

To carry out reform means to take previous untrod paths, with no fixed formula to follow. Thus, our communists are required to have enough courage, be active and take the initiative, be bent on making progress, and be brave in blazing new trails and they should not stick to old ways and adopt a passive attitude. The Central Committee has made explicit stipulations on the general orientation and basic principles of reform; however, a large amount of arduous and meticulous work is involved in their concrete implementation, and it is imperative to associate them with the actual conditions of one's own locality and unity. The conditions in various units differ, thus there should be differences in the essences, steps, and methods of reform. To proceed from the actual conditions in everything is a basic principle of Marxism. By no means should we require unanimity in everything and rush headlong into mass action. It is imperative for us to be active in studying and analyzing the actual conditions, and in posing questions which we will explore and solve in a creative way.

In the course of reform, it is necessary for the party's leading cadres and every communist to advance despite difficulties, to dare to take risks, and to dare to break with the old and support the new. Reform is the self-perfection of the socialist system; however, perfection is never reached automatically. In the course of reform, we are to meet with all kinds of difficulties. Reform will meet with the resistance of the remnants of "leftist" ideas and old and habitual forces, and will touch upon the practical interests of some people. If our communists are firm in the belief that reform is correct and conforms with the interests of the party and the masses, they should have no fear of difficulties and of taking risks, should remain firm and duty-bound, and should not turn back from reform. They should dare to support correct proposals and oppose erroneous views, so as to promote the continuous progress of reform.

The leading cadres of the party at all levels take up the important tasks of leading and organizing the masses in reform and they should have a strong sense of responsibility toward the party's cause, work conscientiously, support the masses in reform, and be meticulous in guiding the masses in carrying out reform. As reform is very much complicated, mistakes and shortcomings are sometimes unavoidable. When mistakes and shortcomings take place, we should do our best to promptly discover and correct them, to sum up experiences and continue to make progress. The steps of reform should be

active but sure and steady; resolute actions should be taken in the reform of some aspects which have been made sure of, while experiments can be conducted in other cases. Reform should be carried out in one aspect after another but only when certainly is achieved, any attempts to accomplish the whole task at one stroke should be avoided. It is necessary for us to change the old set of work methods and the old style. We should get ourselves moving and go down to the grassroots, immerse ourselves among the masses, and carry out meticulous investigation and study. We should be good at discovering the creations of the masses, which we should promptly sum up, concentrate, and popularize. Only when we persist in the work method of from the masses and to the masses, which is characteristic of the materialist theory of reflection, will it be possible for us to lose no opportunity in putting forth and solving new problems, and to give guidance to the smooth progress of reform.

It is imperative to enhance ideological and political work in the course of reform. Reform involves newborn things, and inevitably people will hold all kinds of different views about them and will raise all kinds of questions. This is very natural. People will make progress in their ideology in practice and mutual education. Comrades of the ideological field should go among the masses, understand and make investigation, study the ideological problems emerging in the course of reform, and help the masses to deepen their understanding and solve their problems appropriately. The practices of divorcing from practice, empty preaching, and formalism should be prevented.

In order to do a good job in reform, it is necessary to continuously deepen our understanding and restudy in the course of practice. In reference to the reform in the economic structure, we are short of systematic, all-round experiences in practice, while we are still confronted by many realms of necessity which remain unknown to us. If we are ignorant, we must study. We must study Marxist classics and the social sciences as well as the natural sciences and management science. We should learn from books as well as the masses and practice. We should learn from the advanced experiences at home while being good at learning from and absorbing foreign experiences and knowledge which are useful. So long as we study assiduously in a down-to-earth manner, we will certainly be able to make due contributions to the smooth progress of reform.

CSO: 4004/6

PROGRAM FOR THE REFORM OF CHINA'S ECONOMIC STRUCTURE--STUDYING THE 'DECISION OF THE CPC CENTRAL COMMITTEE ON REFORM OF THE ECONOMIC STRUCTURE'

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 16-20, 29

[Article by Yuan Mu [5913 2606]; passages within slantlines published in boldface]

[Text] In conformity with the inexorable needs of historical development and the eager desire of the people, the 3d Plenary Session of the 12th CPC Central Committee adopted the "Decision of the CPC Central Committee on Reform of the Economic Structure." The decision is the product of the combination of the universal truth of Marxism-Leninism and China's actual conditions and is also another example of emancipating the mind and seeking truth from facts. It profoundly sums up the experience of China's socialist construction over 30-odd years--since the 3d Plenary Session of the 11th CPC Central Committee in particular--correctly answers numerous important theoretical and practical questions that have cropped up in practice under socialism, and enriches the Marxist political economy and scientific socialism. It is thus a programmatic document for guiding the reform of China's economic structure.

Such being the case, what are the main points of the program for the reform of China's economic structure? In other words, through the study of the "Decision," how should we understand and grasp its main points?

The fundamental task at the historical stage of socialism is to develop the productive forces. The "Decision" clearly points out: Essentially speaking, the present reform means, on the premise of adherence to the socialist system, reforming a series of interrelated links and aspects of the relations of production and the superstructure that are not suited to the development of productive forces. As a form of self-improvement and development of the socialist system, this reform is to be carried out under party leadership and in a situation characterized by national stability and unity in a planned, systematic, and methodical way. The aim of reform is, in the final analysis, to significantly promote the development of productive forces and to make the country prosperous and strong and the people rich and happy. The most important criterion for assessing the success or failure of all reforms is to see whether or not they have helped develop the productive forces. The fundamental task of reform is to smash all the old rules and regulations in our existing structure which are fettering economic

development, and to build a socialist economic structure with Chinese characteristics that is full of vigor and vitality. Fundamentally different from the economic structure under capitalism, this structure is also completely different from the fossilized socialist pattern which is not in keeping with China's national condition. To conduct reforms in line with this nature, aim, and task, we should take the invigoration of enterprises as the key to restructuring the national economy, with the focus on the urban economy, because socialism with Chinese characteristics should, first and foremost, be able to instill vitality into the enterprises. Centering on this essential demand, we should correspondingly establish a planning system that combines uniformity and flexibility, a pricing system that can respond quickly to changes in labor productivity and the relation between market supply and demand and meet the needs of national economic development, a system of government organs managing the economy under which the functions of government and enterprises are separated, and a labor and wage system that can fully reflect the principle of distribution according to work. This is the basic blueprint for the economic structure with Chinese characteristics, which the "Decision" has charted for us.

In order to gradually turn the blueprint into a living reality in China, the "Decision" profoundly expounds, both in theory and practice, a series of important problems, makes many theoretical assessments in the light of the new practice, and formulates relevant basic policy regulations. According to my personal understanding of the "Decision," I think the following aspects will have a tremendous role and far-reaching influence over a considerably long period of time and even in the whole historical stage of socialism. They are mainly as follows:

/First, developing in a planned way a socialist commodity economy by consciously following and applying the law of value and on the basis of adherence to public ownership./

The "Decision" points out: "The socialist planned economy is a planned commodity economy based on public ownership, in which the law of value must be consciously followed and applied." This scientific thesis and the incisive expositions on the thesis are an important breakthrough in theory and provide an important basis for various concrete reform measures in practice.

After analyzing the laws governing the development of capitalism, Marx and Engels pointed out the anarchy of production which was characteristic of capitalist society, predicting that as the opposite of this anarchy, socialism will inevitably practice a planned economy on the basis of public ownership. Over the last 30 years or more since the founding of the PRC, we have achieved great successes in construction, unimaginable in old China, by relying on the planned economy. We should continue to practice the planned economy in the coming period and should not, in the slightest degree, hesitate or waver on this matter. However, a traditional theoretical argument has been prevalent for quite some time, which regards the planned economy and the commodity economy as two diametrically opposed things which are incompatible with each other and mutually exclusive, and negates the socialist commodity economy. The influence of this argument was ideologically,

more often than not, an important reason for the "leftist" mistakes made in the previous economic work. The defects of the economic management system, such as excessive and rigid control, belittling the use of economic means, and the role of regulation by market mechanism, are not unconnected with the negation of the commodity character of the socialist economy.

The commodity economy is an indispensable stage in the economic growth of society rather than being unique to capitalism. In the historical stage of socialism, particularly in a country like ours where the commodity economy was formerly quite underdeveloped, only when commodity production and exchange are developed vigorously can the modernization of economy and the socialization of production be achieved and can the social labor productivity be raised significantly and the socialist system be consolidated and ultimately perfected. This is an indispensable stage. Since the 3d Plenary Session of the 11th CPC Central Committee, comparatively big advances have been made in China's rural commodity economy, thus instilling vitality into and bringing about initial affluence to the countryside as a whole. It is entirely justifiable to say that only socialism can save China. This is an unalterable truth derived from long historical experience. Today, we can only make China prosperous if we vigorously develop the commodity economy on the basis of adherence to the socialist system of public ownership. However, the extensive growth of a commodity economy on a societywide scale could also lead to blindness in production, and there has to be guidance, regulation, and administrative control through planning. Compared with the capitalist system based on private ownership, the socialist system based on public ownership has incomparable superiority in this regard. So long as we have a correct understanding and correct policies and gradually establish through reform a planning system which combines uniformity with flexibility and under which the law of value is consciously followed and applied, the socialist commodity economy will surely advance more rapidly and effectively than the capitalist commodity economy does.

The law of value is a law governing the commodity economy and not a law unique to capitalism. Provided there is a commodity economy, the law of value will inevitably play a role in such extensive fields as production, exchange, and circulation. In the face of the law of value--an objective reality independent of man's will--we can either consciously apply it for promoting economic development and thus be crowned with great successes or violate it and be punished as a result. There can be only two results and no others. Therefore, whether we practice mandatory or guidance planning, we should consciously follow and apply the law of value, take the relation between market supply and demand into full consideration, and attach particular importance to the roles of the various economic levers, such as pricing, taxation, and credit. Only when we exercise effective control over major issues while allowing flexibility over minor ones and properly combine the overall unity of the growth of the national economy with the flexibility of individual enterprises in production and management can we instill vitality into the national economy as a whole and ensure its vigorous and proportionate development.

/Second, correctly understanding the nature and status of socialist enterprises and duly separating the ownership of enterprises under the system of ownership by the whole people from their powers of operation, so that enterprises can genuinely become relatively independent socialist commodity producers and operators./

The "Decision" points out: Under the guidance, control, and regulation of state plans, policies, and decrees, the enterprise should genuinely be made a relatively independent economic entity and should become a producer and operator of socialist commodity production that is independent and responsible for its profit and loss. Only in this way can the enthusiasm, initiative, and creativity of the enterprise be brought into full play and can it be capable of transforming and developing itself. This will inevitably touch on the question of how we should approach the ownership of enterprises under the socialist system of ownership by the whole people and their powers of operation.

In his "Das Kapital," Marx discussed the separation of ownership from the power of operation under capitalism. He said: "The capitalist mode of production has brought matters to the point where it is commonplace for the work of supervision to be entirely divorced from the ownership of capital. It is, therefore, no longer necessary for the capitalist to perform such supervision himself. An orchestra conductor need not own the instruments of his orchestra." ("Collected Works of Marx and Engels," Vol 25, p 435) In capitalist society, enterprises are owned by the capitalists but instead of operating their enterprises personally, the capitalists frequently entrust some capable managers or executives with responsibility for the operation of their enterprises and the latter are not the owners of the enterprises they run. Judging from the experience over the last years in socialist practice, similarly, we should smash the previous traditional concept and duly separate the ownership of enterprises under the system of ownership by the whole people from their powers of operation. Since social demand is very complex and in a state of constant flux and since the conditions in enterprises differ in a thousand and one ways, no state institution can know the whole situation fully and cope with everything promptly. If the state institutions are to directly administer and manage various kinds of enterprises, it will be very hard to avoid subjectivism and bureaucratism, with a consequent suppression of enterprise vitality. Therefore, only when the ownership of enterprises by the state and the powers of operation of enterprises are duly separated and the situation in which enterprises become appendices to government economic administrative departments is changed completely can the practice of the state exercising excessive and rigid control over enterprises be changed thoroughly and can the enterprises be invigorated significantly.

The ownership of enterprises under the system of ownership by the whole people can only go to the socialist state that represents the interests of the entire people. In order to ensure that the business activities of enterprises conform to the overall requirement of national economic growth, the state must manage, inspect, guide, and regulate the activities of enterprises, as pointed out by the "Decision," through planning and by economic,

administrative, and legal means; it must use taxation and other means to concentrate in its treasury that part of enterprises' net income which should be used by the state in a unified way; it must designate, appoint, and remove the principal leading members of enterprises or approve their employment and election; and it must in accordance with the overall needs of the national economy, decide on the establishment of enterprises, their closing down, their suspension of production, their merger with others, their switching over to other lines of production, and their removal to other places. Nevertheless, on no account must we interpret these limits of authority that embody the ownership of enterprises by the state as state monopoly of all activities of enterprises, still less use the various rules and regulations which hinder the enterprises from exercising their decisionmaking powers to hamper the initiative of enterprises. On the premise of following the state plans, principles, and policies and being subject to state control, the enterprise must have the power to adopt flexible and diversified forms of operation, to plan its production, supply, and marketing, to possess and use funds that it is entitled to retain, to appoint or employ its own personnel, and to decide on how to recruit and use its work force and on wages and bonuses. It can be entirely anticipated that so long as reforms are carried out in accordance with this principle, the enterprises are bound to be greatly invigorated and the enthusiasm, initiative, and creativity of the vast ranks of working people are bound to be further aroused.

/Third, correctly understanding socialist government organs' function of managing the economy, and persisting in separating government from enterprise functions and in simplifying administrative procedures and delegating powers to lower levels./

This question is closely related to the previous one. Judging from the development of human history, after the emergence of states, whether under the slave-owning, feudal or capitalist system, to consolidate their rule, all ruling classes have invariably interfered in the social economic life to a certain extent. Capitalist countries, developed capitalist countries in particular, are tending to intensify their interference in the social economic life. However, the state's function of managing the economy has never occupied such an important position or played such a great role as it does in the socialist stage. This is a necessity of historical development and also an important indicator differentiating socialist countries from countries under the capitalist system and other systems of exploitation. Since the founding of the PRC, we have achieved great successes in our socialist construction unimaginable in old China. This is inseparable from the great role the state played in organizing and leading its economic construction. The view which argues that it is advisable to infinitely weaken the foundations of state organs, government organs' function of managing the economy in particular, and which even goes further to maintain that it is not necessary for the government to attend to economic matters is obviously wrong. However, the socialist practice over the years has also indicated that the practice of the state organizing and leading economic construction used to be interpreted as direct operation and administration of enterprises by government economic departments. Consequently, no clear distinction has been made between the functions of the government and those of the enterprise;

central and local government economic departments have directly meddled in the operation of enterprises and interfered in the daily concrete activities of enterprises in operation and management, such as production, supply, marketing, and the use of the work force and financial and material resources; there have been too many "under-defined authorities" for the enterprises to follow; macroeconomic policy decisions have not been worked out properly and excessively rigid control has been imposed on microeconomic activities. All this has seriously suppressed the vitality of enterprises. Before the 3d Plenary Session of the 11th CPC Central Committee, we conducted reforms in some aspects of the economic structure on many occasions but because they were limited solely to readjusting the affiliation of enterprises and the administrative power of the central and local authorities and of the different departments and regions, the critical issue of giving enterprises decision-making power was left untouched. For this reason, we inevitably achieved meager results in the reforms. Moreover, the reforms we conducted in this way even aggravated the existing defects of our previous structure. In light of the practical experience over the years, the "Decision" explicitly stipulates the principal functions of government organs in managing the economy, demanding that they concentrate on organizing and leading economic construction by taking the overall growth of the national economy into account, resolutely separate government from enterprise functions, simplify administrative procedures and delegate powers to lower levels, and delegate the decisionmaking powers that the enterprises are entitled to enjoy directly to the grassroots units. This will have great significance and far-reaching influence in reforming the system of government organs managing the economy according to the requirement of building a socialism full of vitality.

Some people may think that this practice can weaken the role of the socialist state in organizing and leading economic construction. Their worries are uncalled-for. With the separation of government from enterprise functions, there is a lot of work for government economic departments to do. For example, how should we formulate the correct development strategy and plan for the national economy as a whole? How should we coordinate the development plans of various localities, departments, and enterprises and the various economic relations? How should we work out and supervise the implementation of the necessary economic rules and regulations and use them to lead enterprises in developing production according to the demands of socialist society? How should we strengthen inspection and supervision over enterprises so that they can correctly implement the party and state principles and policies? How should we draw up the development plan for science and technology so as to cater to the needs of the modernization program and of the development of industrial and agricultural production? How should we provide enterprises with plenty of correct and useful information so that enterprises can acquire the ability to respond quite quickly? How should we lead enterprises in opening up both domestic and international markets? How should we do a good job in the socialized and specialized coordination? How should we organize the popularization of new technologies and numerous new experiences? And so on and so forth. It is impossible for the enterprises to handle or completely accomplish these matters without the participation of the government economic departments. After the functions of government and enterprises are separated, the government departments at various levels will, in principle,

no longer manage or operate enterprises directly. Only in this way can they possibly do well the aforesaid things which should be done properly. This will strengthen, instead of weakening, the role of the government in organizing and leading economic construction.

/Fourth, persisting in developing diverse economic forms and methods of management on the prerequisite that the economy under the socialist system of ownership by the whole people holds a leading position./

This is a principle long affirmed by the 12th CPC National Congress. Reaffirming this principle, the "Decision" makes more explicit theoretical explanations and formulates appropriate policy regulations. During the historical stage of socialism, we must persist in implementing the principle of simultaneously developing diverse economic forms and methods of management on the prerequisite that the state economy holds a leading position. This is a long-term, basic policy of the party and the state rather than an expedient measure. Only when we act in this way without the slightest degree of hesitation or wavering in determination can the enthusiasm of all quarters concerned be better aroused, can the initiative of the state, the collective, and the individual all be encouraged, can various new avenues for production be opened up, and can China's socialist economic construction be developed at an accelerated pace. As a matter of fact, the state economy should continue to be consolidated and developed but this development should not be predicated on the restriction and exclusion of other economic forms. In the cities and the countryside, cities and small rural towns in particular, we should promote the vigorous development of the collective economy and the development of the individual economy simultaneously, and we shall all the more promote individual economy particularly in those economic fields mainly based on labor services and where decentralized operation is suitable. Over the last few years, individual businesses have developed relatively rapidly. The number of self-employed workers in cities and towns in 1983 amounted to 2.31 million. However, the output value of the industries they operated constituted only 0.1 percent of the national total industrial output value and the retail volume of social commodities they sold through their operations occupied only 6.5 percent of the national total. Their development will on no account undermine China's economy operated on the basis of public ownership. Moreover, as a necessary and valuable adjunct to the socialist economy, the individual economy plays an irreplaceable role in expanding production, meeting the people's daily needs, and providing employment. The level of production at the present stage in China is low and the development of production is uneven. Provided the leading position of the socialist state economy is upheld and the economic sectors suitable for state management are operated by the state, those suitable for collective management are operated by the collectives, and those suitable for individual management are operated by individuals, the various forms of ownership can give full play to their superiority in their own fields. We should also work hard to create many and varied methods of operation and vigorously develop various forms of joint operations and cooperation among the state, collective, and individual of sectors of the economy and diverse and flexible methods of management among them. We should adopt diverse forms so as to better link the collective and individual sectors of the economy with the socialist state economy and provide

the former with information and technical services in various fields so that they realize they are more and more inseparable from the state economy. The socialist state economy should lead the collective economy in unwaveringly advancing along the orientation of socialism and lead the individual economy which is a necessary, valuable adjunct to the socialist economy in unwaveringly advancing along this course. This is the responsibility the socialist state economy should shoulder for a long time in the historical stage of socialism. The "Decision" expressly points out: Whether by domestically developing various forms of individual businesses or attracting foreign businessmen for joint ventures, cooperative management or exclusive investment in enterprises is a necessary and beneficial complement to China's socialist economy. The "Decision" also points out: We are determined to insist, for a long time, on developing diverse economic forms and various methods of management. This is not retrogression to the new-democratic economy of the early period of the PRC when the economy based on the socialist ownership was not yet predominant. Far from undermining China's socialist economic system, this policy will help consolidate and develop it. The explanation of these important theories and policies will undoubtedly further emancipate people's minds, help develop diverse economic forms and various methods of management more fully, and thus promote the accelerated development of the productive forces in China.

/Fifth, resolutely overcoming egalitarianism and better implementing the principle of distribution according to work./

Among a section of cadres and the masses, there has long been a deeprooted concept that "the trouble is not scantiness, but unequal allocation," asserting that egalitarianism is fine and that practicing egalitarianism is more progressive than not practicing it. As a trend of thought in society, egalitarianism played a certain progressive role in combating feudalism but it can never from beginning to end promote the development of society, still less propel the socialist society. While repudiating the egalitarian thinking of Proudhon and his followers in his "The Poverty of Philosophy," Marx pointed out: The egalitarian distribution will lead this society to laziness, cause people to regard labor as a heavy burden and thus avoid it, and result in people vying with one another in laziness. Comrade Mao Zedong also repudiated egalitarian thinking on many occasions, pointing out this thinking can only sabotage production and even ruin the party and the country. Since reforms were introduced in the rural areas, egalitarianism has been smashed, people have become diligent, and the economy has become invigorated. Now the situation in cities has begun to change but a fundamental change has not yet taken place. This is mainly because the basic experience in implementing the system of contracted responsibilities with payment linked to output in the rural areas has not yet taken root, blossomed, and borne fruit widely in the cities, and egalitarianism has not yet been really smashed there.

The goal of socialism is to achieve common prosperity. This must be affirmed. If common prosperity is understood as absolute egalitarianism and as all members of society becoming better off simultaneously at the same speed, not only will this be impossible, but such thinking will lead

to common poverty. Judging from the course of human history, prosperity was out of the question in the primitive communist society, because people just managed to meet the bare necessities of life. In slave, feudal, and capitalist societies, only a section of the people prosper, where prosperity is based on their possession of means of production and their exploitation of the majority of the people while most people are deep in poverty. Today we encourage some individuals to get more income through diligent work and by making great contributions. Only in this way can there be a strong attraction and inspiration to the majority of the people and more and more people will be encouraged to take the road of prosperity, one group after another. Under socialism, only when public ownership is upheld, the principle of distribution according to work is adhered to, and at the same time, social relief is provided for the old, weak, sick, disabled and for widows, widowers, orphans, and the childless elderly who cannot support themselves, can the polarization which is worrying some people be avoided. The "Decision" has reaffirmed and explained the party policy of encouraging some people to become better off before others and taken steps in the following respects, such as enterprises being entitled to decide on the forms of wages and bonuses according to their own actual conditions and encouraged to gradually widen the difference between the wages of various trades and jobs in their internal departments, and state institutions and public organizations being encouraged to reform the wage system in accordance with the principle of linking wages closely with the responsibilities and achievements of their staff and workers. All these are undoubtedly the enrichment and development of the socialist principle of distribution according to work, which are of theoretical and immediate significance.

Immediately after the 3d Plenary Session of the 11th CPC Central Committee, in his famous speech "Uphold the Four Basic Principles" delivered in March 1979, Comrade Deng Xiaoping said: "Scientific socialism develops in the course of actual struggle, and so does Marxism-Leninism-Mao Zedong Thought. We will not, of course, backtrack from scientific socialism to utopian socialism, nor will we allow Marxism to remain arrested at the level of the particular theses arrived at as long as a century ago." Over the last 5 years or more, our party has made important contributions in enriching and developing Marxism-Leninism-Mao Zedong Thought. Imbued with the spirit of daring to blaze new trails and seeking truth from facts, the "Decision" is free from the trammels of antiquated or unrealistic outmoded concepts. This is a quite distinctive characteristic of the "Decision." Only when we study the "Decision" in this spirit can we have a good grasp of its essentials and enhance our willingness to implement this programmatic document which is of historical significance.

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A RELIABLE GUARANTEE FOR HONG KONG'S LONG-TERM STABILITY AND PROSPERITY

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 21-23

[Commentator's article]

[Text] The "Joint Declaration" by the Chinese and British Governments on the question of Hong Kong has already been initialed in Beijing on the 26th of last month. The "Joint Declaration" solemnly declares: The Chinese Government has decided to resume sovereignty over Hong Kong with effect from 1 July 1997 and the British Government will restore Hong Kong to the PRC with effect from the above-mentioned date. This declaration has evoked great repercussions among the Chinese people both at home and abroad and aroused widespread attention in world press circles.

The realization of the reunification of our motherland is one of the three major tasks that the party has put forth before the people of the whole country in the new historical period. Fulfilling this task is the common desire of the entire Chinese nation, including Hong Kong and Macao compatriots, Taiwan compatriots, and Overseas Chinese. It is a glorious mission that history has assigned our generation. Recovering Hong Kong is an important part of the realization of the reunification of the motherland.

Hong Kong area consists of three parts: Hong Kong Island, Kowloon, and the "New Territories." It has been China's territory since ancient times. It has been proved by materials excavated by archeologists that beginning from about 4000 B.C., the ancestors of the Chinese nation and their posterity have lived and worked in the Hong Kong area continuously. It is recorded in our ancient books that after the Emperor Shi Huang Di of the Qin Dynasty unified China, the Hong Kong area was under the jurisdiction of China's local government. In the 19th century, Britain first launched an Opium War to invade China in 1840; next, it formed an alliance with France to launch a second Opium War to invade China in 1856; and then, at the end of the 19th century, together with other Western powers, Britain launched a raging drive to divide China. In this process, Britain forced the corrupt and incompetent Qing government to sign, one after another, three unequal treaties: the Sino-British "Treaty of Nanking," the "Convention of Peking," and the "Convention for the Extension of Hong Kong." Thus it forced the annexation of Hong Kong Island and of the southern end of the Kowloon peninsula and the leasing for 99 years of the area to the south of Shenzhen He and to the north of Boundary

Street in Kowloon peninsula, and more than 230 big and small islands, which was later called the "New Territories." Ever since the Qing Dynasty was overthrown, no Chinese Government has acknowledged these three unequal treaties. The Hong Kong issue has always been a problem between China and Britain left over from history.

Since the founding of the new China, the Chinese Government has time and again declared: Hong Kong is an integral part of China's territory and we will never acknowledge the unequal treaties concerning Hong Kong that the Qing government and Britain signed in the 19th century. It has also clearly put forth the idea that when conditions are mature, our country will peacefully solve the Hong Kong problem through negotiation. Since the beginning of the 1980's, there have been great changes in the international situation and in our country's external relations. As the deadline of 1997 draws increasingly near, the time for holding peaceful talks to solve the Hong Kong issue has already become mature. From September 1982 to September of this year, the Chinese and British Governments held 2 years of friendly, serious, earnest, and prudent talks and rationally and perfectly solved this problem left over from history. On the eve of the 35th anniversary of the founding of the new China, under the leadership of the CPC, the Chinese nation has at last washed away the shame that it has suffered for more than 140 years, and taken a stride forward in the path of achieving the reunification of the motherland. How can a Chinese citizen who has national consciousness not feel inspired, heartened, and stimulated by this?

After China resumes sovereignty over Hong Kong on 1 July 1997, on the basis of the concept of "one country, two systems," the Chinese Government will adopt a full set of special policies that are different from those of China's mainland, and these special policies will not be changed for 50 years. This set of special policies has already been concretely embodied in the text of the "Joint Declaration" and its Annex I. They include: To establish, in accordance with the stipulations of Clause 31 of the PRC Constitution, a Hong Kong special administrative region directly under the jurisdiction of the Central People's Government of the PRC, a region where Hong Kong local people govern themselves and enjoy a high degree of autonomy and where the Central People's Government only retains power over foreign affairs and defense; to let the region enjoy its own administrative power, legislative power, independent administration of law, and the power of final adjudication, and to basically maintain unchanged the existing laws; to maintain unchanged the existing social and economic systems and life-style; to maintain its position of being a free port and independent customs area, its position as an international financial center, and its financial independence; to allow Hong Kong to separately maintain and develop, in the name of "Hong Kong, China," economic and cultural relations with, and to sign relevant agreements with, various countries and areas and relevant international organizations; to make allowance for Britain's and other countries' economic interests in Hong Kong; and so on.

The implementation of the concept of "one country, two systems" and the adopting of special policies toward Hong Kong is not an expedient measure, but a major strategic policy decision, which has gradually taken shape since

the restoration of the ideological line of seeking truth from facts at the 3d Plenary Session of the 11th CPC Central Committee and in the process of the CPC Central Committee considering the problems of solving the Taiwan and Hong Kong issues to achieve the reunification of the motherland on the basis of the attitude of taking account of historical facts and respecting reality. Concerning Hong Kong, this concept starts from the basic principle that when our country resumes sovereignty over Hong Kong, it should at the same time maintain Hong Kong's long-term stability and prosperity. This principle conforms to the fundamental interests of the people of the whole country, including Hong Kong compatriots, and also makes allowance for the interests of Britain and other parties. It provides a reliable guarantee for Hong Kong's long-term stability and prosperity.

Hong Kong is situated with the mainland of the motherland and facing South-east Asia and the southwest Pacific. It is an important hub for trade and economic exchange between East and West. For more than 100 years, Hong Kong people have been clever, keen to learn, and hardworking, have engaged in their undertakings assiduously, and have thus made outstanding contributions to Hong Kong's prosperity. During the more than 30 years since the founding of the new China, our country has always implemented correct policies toward Hong Kong, has supplied, at preferential prices, lots of staple and nonstaple foodstuffs, articles for daily use, fresh water, industrial raw materials, fuel, and so on, and has thus played an important role in maintaining Hong Kong's economic stability. During the past 20 years, Hong Kong has considerably developed its local industry, which has already become one of the major pillars of Hong Kong's economy. As a free port, Hong Kong adopts free and open-door policies, allows local and foreign capital to freely manage their enterprises, allows local and foreign currencies to be exchanged freely, and funds to move in and out freely, and thus has attracted a large amount of international capital. Now Hong Kong has already become one of the three major financial centers in the world, one of the 18 international trade centers, and the world's 7th biggest port, 3d biggest container transport center, and 10th biggest air transport center. It has thus become an integral part of the international economic system. Preserving Hong Kong's existing capitalist system is conducive to maintaining this special position of Hong Kong in the world economic system and to continuing to develop close economic and trade relations with other countries in the world.

The separation of Hong Kong from the motherland was the consequence of Britain's aggressive policies in the 19th century. Putting an end to this situation and recovering China's exercise of sovereignty over Hong Kong is perfectly justified and has the consent and support of the overwhelming majority of the Chinese people in Hong Kong, who account for 98 percent of the total number of Hong Kong residents. However, the vast number of Hong Kong residents also hope that after our country resumes sovereignty over Hong Kong, it will continue to preserve the existing social and economic systems and life-style. We should respect this desire.

As our country's four modernizations develop, the close relations that have already taken shape between China's interior and Hong Kong will increasingly strengthen. In Hong Kong's foreign trade, the interior has become Hong Kong's

biggest entrepot trade partner and source of imports and its third biggest export market. During the past few years, the interior's economic activities in Hong Kong have been extended from import and export trade to the sectors of industry, commerce, banking, transport, service trades, and property, and the interior has been strengthening day by day its wide-ranging economic cooperation with Hong Kong capitalists. From this we can see that the support of the motherland is indispensable for Hong Kong's stability and prosperity. At the same time, a stable and prosperous Hong Kong also plays an important supplementary role in the four modernizations of the motherland. Hong Kong is an important bridge that links us with capitalist countries. Utilizing Hong Kong's special position and conditions will facilitate drawing in funds and introducing advanced technology and administrative and managerial experience for us and facilitate the smooth implementation of the policy of "enlivening the economy at home and opening to the external world." On the other hand, the development of the economic construction in our country's interior will provide more abundant resources and a broader market for Hong Kong. Just as Premier Zhao Ziyang said when he met a visiting delegation of well-known personages of Hong Kong political circles: "We do not show less concern for Hong Kong's stability and prosperity than do Britain and Hong Kong people. For a Hong Kong with long-term stability and prosperity is conducive to China's reunification and four modernizations, and a turbulent or desolate Hong Kong does not conform to the long-term interests of the Chinese people."

Since the concept of "one country, two systems" is conducive to the peaceful reunification and four modernizations of our country, and since it has already been embodied in the "Joint Declaration" of China and Britain and won the consent of the overwhelming majority of Hong Kong compatriots, there is no reason for us not to implement it. Comrade Deng Xiaoping pointed out: "Paying attention to acting in good faith is a tradition of our nation. As a big country, we must have our own dignity and our own guidelines to follow. We have said in the agreement that we will maintain unchanged for 50 years, and our next generation will not change, these policies." In the coming few years, we will draw up a "Basic Law for the Hong Kong Special Administrative Region of the PRC" and thus stipulate, in the form of law, these special policies and the relevant system in order to ensure their implementation.

In implementing the concept of "one country, two systems," it is a matter of course that we must grant the future Hong Kong special administrative region a high degree of autonomy and allow Hong Kong local people, with patriots as the majority, to govern themselves. As long as a person is in favor of the reunification of the motherland, supports the motherland's resumption of sovereignty over Hong Kong, loves the motherland and Hong Kong and refrains from doing anything to harm Hong Kong's stability and prosperity, he is a patriot, no matter whether he favors capitalism or socialism. Of course, Hong Kong local people can only govern Hong Kong and enjoy a high degree of autonomy under the sovereignty of the PRC, and never will this lead to the situation advocated by some people, who want to turn the concept of "one country, two systems" into that of "two sovereign countries in one country" or that of "two conflicting independent political entities in one country."

The reaching of an agreement on the Hong Kong issue through peaceful talks between China and Britain has not only eliminated a historical shadow in the relations between the two countries, but has also opened up better prospects for friendly cooperation between them and provided new experience for the peaceful solution of international disputes. Hong Kong is China's territory and, in an original sense, the recovery of Hong Kong is a matter within the sphere of China's sovereignty. However, taking into account the fine relations between China and Britain in the many years since the founding of the new China, the government of our country is willing to cooperate in a friendly manner with the British Government and to carry out peaceful talks with it, and has thus enabled the Hong Kong issue to be satisfactorily solved. During the 2 years of talks, the Chinese and British sides proceeded from the spirit of attaching importance to the interests of the whole, from a long-term point of view, and from a spirit of mutual accommodation, and thus solved difficult problems one after another. On the Chinese side, we have repeatedly and clearly expounded on our stand and displayed a high degree of flexibility under the principle of not harming our sovereignty. The British side has also adopted a wise attitude to follow the tide of history. We are confident that during the more than 12 years of transitional period in the future in which the British Government will continue to be responsible for Hong Kong's administration, the British Government will observe the agreement and ensure Hong Kong's stability and prosperity and the smooth transfer of political power. The "Joint Declaration" has been widely praised by world opinion as well as being well received by the people of the two countries. UN Secretary General Javier Perez de Cuellar said: "At a time when tension and confrontation unfortunately envelop many areas in the world, the success of the talks on Hong Kong's future will undoubtedly be regarded as an outstanding example of effective and quiet diplomacy in present international relations."

Today, in an era when the civilization of the human race is developed, the economic and cultural exchanges between various countries have become increasingly closer, and activities on an international scale have become increasingly frequent and wide-ranging, a major event in any area and on any local scale often has repercussions on the whole international situation. The present international situation requires that the people of various countries strengthen their unity and cooperation, oppose hegemonism, and safeguard world peace. Therefore, seeking the best ideas to solve the problems left over by history between many areas and countries has become a major issue facing the human race. The satisfactory handling of the Hong Kong issue through peaceful talks between China and Britain can be regarded as an outcome of the reasonable and calm handling of international disputes in our new historical epoch. It proves that as long as the countries and governments concerned have sincerity and the spirit of seeking truth from facts in solving problems, and as long as they adopt an attitude of mutual accommodation and cooperation, they will be able to avoid resorting to force and to solve, through peaceful methods, the problems and disputes between them that have been left over by history.

Hong Kong's prospects have already become clear and its future will be magnificent and filled with hope. We are confident that through the efforts of

Hong Kong compatriots, we will surely succeed in implementing of the concept of "one country, two systems" in Hong Kong. In the past, our Hong Kong compatriots created the prosperity they have today through their hard labor; in the transitional period of more than 12 years in the future, they will surely make, out of their love for the motherland and for Hong Kong, tremendous contributions in maintaining Hong Kong's stability and prosperity and achieving the reunification of the motherland; and after the 12 years, it is also certain that they will give full play to their wisdom and talents and build, with the sense of being the masters, a continuously prosperous new Hong Kong so as to enable this bright pearl in the East to shine even more gorgeously.

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NEW CHANGES IN THE LIVELIHOOD OF THE CHINESE PEOPLE

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 24-29

[Article by Li Chengrui [2621 2052 3843] and Zhang Zhongli [4545 6988 1015]]

[Text] To satisfy ever growing needs in the people's material and cultural life is the ultimate aim of socialist production. In the past, given "leftist" thinking as a guide, while the pace of the development of production in our country was not slow, economic results were relatively poor, with no actual benefits for the people. From 1953 to 1978, our national income showed an average annual increase of 7.9 percent but residents' level of consumption registered an average annual growth of only 2.2 percent. Since the 3d Plenary Session of the 11th CPC Central Committee, our economy has embarked on a new road marked by a relatively realistic pace of development, relatively good economic results and greater actual benefits for the people. From 1979 to 1983, national income showed an average increase of 8.2 percent and residents' level of consumption an average growth of 7.2 percent. Due to the correct handling of the relations between production-construction and the people's life, the masses' enthusiasm has been further aroused, allowing still greater vitality in our socialist modernization and still broader prospects for development.

New Changes of Great Significance

Since the 3d Plenary Session of the 11th CPC Central Committee, the party and the government have adopted a series of policies and measures and have energetically tried to improve the life of the people. Marked results have been achieved in this regard. According to a sampling of 30,427 peasant households in 600 counties, average per capita net income in 1983 reached 309.8 yuan, more than double the 1978 figure of 133.6 yuan. After adjustment for the price factor, this meant an average annual increase of 14.7 percent. A sampling of 9,060 workers' households in 47 cities showed that the average income in 1983 that each person could spend on living expenses reached 526 yuan, an increase of 66.5 percent compared with 316 yuan in 1978. After adjustment for the rise in the cost of living for workers, this meant an actual increase of 7.4 percent per year. The big increases in workers' and peasants' incomes have been rarely seen in history. What is more gratifying is that in the past 2 years, our country has begun to witness some new changes of great strategic significance in the relations between accumulation and

consumption, in the relations between workers and peasants, and in the composition of consumption. If an improvement in the people's lives in the first 3 years of the 5 years from 1979 to 1983 was of a compensatory nature, then the improvement in the people's lives in the latter 2 years had to do with our having embarked on a road to more healthy and normal development. Chief manifestations of this are as follows:

1. The increase in the national income in the first 3 years was almost all devoted to consumption, while both consumption and accumulation were taken into consideration in the latter 2 years. In the first 3 years, our country readjusted the proportionate relations between consumption and accumulation in national income and reduced the excessive rate of accumulation. The percentage of accumulation as a part of national income dropped from 36.5 percent in 1978 to 28.5 percent in 1981. The percentage of consumption funds rose from 63.5 percent to 71.5 percent. These 3 years witnessed an average annual increase of 30.4 billion yuan in national income. Of that amount, 29.8 billion yuan, or 98 percent, was devoted to increased consumption. In the early stage of economic readjustment, the pace of development of production slowed on the one hand. On the other hand, there was an urgent need for an improvement in the people's living standards which had long been on the low side. Given such specific historical conditions, it was necessary to temporarily devote most of the newly added national income to consumption. In the past 2 years, with economic revival and development, the state has been able to take better care of both construction and the people's lives. Accumulation in 1982 rose to 29 percent and continued to climb in 1983 to reach 30 percent. But given a rapid increase in national income, the average annual increase in national income in these 2 years was 42.2 billion yuan. Of the amount, 26.5 billion yuan (62.8 percent) was devoted to increased consumption and 15.7 billion yuan (37.2 percent) to increased accumulation. In the past 30-plus years since the founding of the PRC, despite more than a dozen years of simultaneous increases in both consumption and accumulation, relatively great increases in both consumption and accumulation like those witnessed in the past 2 years have been rare. This is an important indication of the harmonious development of our economy.

As far as residents' income is concerned, a fair part of the increase in the first 3 years came from a readjustment of the relations of distribution among the state, the collective, and the individual, while the increase in the latter 2 years was basically based on the development of production. Compared with 1978, per capita net income for peasant households in 1981 showed an increase of 89.8 yuan. Of the amount, more than 23 yuan was derived by each member of the agricultural population from the state's upward adjustment of purchase prices for agricultural and sideline products, the introduction of special prices for agricultural means of production, and also a reduction in some of the taxes imposed on the countryside. This is equivalent to 25.6 percent of the increase in the per capita net income in that period. In the past 2 years, purchase prices for agricultural products have basically stabilized. Special prices for some agricultural means of production have been dropped. Per capita net income showed an increase of 86.4 yuan in 1983 compared with 1981, almost all of it realized through increased agricultural labor efficiency on the part of peasants and the development of

multiple undertakings. As far as workers' income is concerned, the average actual per capita wage level of industrial enterprises owned by the whole people (after adjustment for the rise in the workers' cost of living) in the 3 years from 1979 to 1981 showed an average annual increase of 3.6 percent. In the same period, labor productivity of full-time workers showed an average annual increase of only 2.1 percent. In the past years, the situation of wages outstripping labor productivity has been reversed. With all the 5 years taken into account, labor productivity of full-time workers showed an average annual increase of 3.2 percent, while the actual wage level registered an average annual increase of 1.9 percent. The proportion between the two was relatively reasonable in terms of growth.

2. In the first 3 years, the gap between workers' and peasants' livelihoods began to narrow, and the pace, for that matter, accelerated in the latter 2 years. Simultaneously with the improvement of the workers' livelihood an improvement in the livelihood of the rural population of 800 million was also sought, thus narrowing the gap between workers and peasants. This was of great significance in developing our socialist economy and consolidating the worker-peasant alliance. In the past, due to the relatively slow growth of agricultural production and the relatively quick growth of the rural population, the gap between workers and peasants once widened. In the latter part of the 1950's, the peasant-to-worker consumption ratio was about 1 to 3. Since the 3d Plenary Session of the 11th CPC Central Committee, with the rapid growth of the rural economy, the peasant-worker gap has obviously narrowed. With the figure of 1 taken as a basis for peasants' spending on consumption, the peasant-to-worker consumption ratio in 1978 was 1 to 2.76. In 1981, it narrowed to 1-2.45. In 1983, it further narrowed to 1-2.04. Given some incomparable factors between urban and rural areas, the above figures can only serve to reflect the general trend of change in the worker-peasant gap.

In the past few years, with an improvement in the peasants' level of consumption, there has been a marked change in what makes up consumption. Eating had begun to change from being content with a full stomach in the past to a matter of preferences. Of the staple food consumed, the percentage of fine grain rose from 49.4 percent in 1978 to 75.6 percent in 1983. Consumption of pork, beef, mutton, and poultry rose from 12.01 jin to 21.56 jin, edible oil from 3.94 jin to 7.05 jin, eggs from 1.59 jin to 3.14 jin, and wine from 2.44 jin to 6.39 jin. Increases in the consumption of these nonstaple food items ranges from 80 to 160 percent. The past situation of "inviting people to a meal without meat and cooking cabbage without a trace of oil in it" is rare today. The matter of clothing has also begun to change from a previous emphasis on what is cheap and durable to preference for quality and the latest fashions. Purchases of middle- and high-grade commodities like woolen goods, silks and satins, fashionable clothes, knitted goods, and so forth have doubled. Per capita spending on clothing rose from 14.7 yuan in 1978 to 27.7 yuan in 1983, an increase of 88.4 percent. As far as durables are concerned, the number of bicycles owned per 100 households rose from 30.7 in 1978 to 63.4 in 1983, sewing machines from 19.8 to 38.1, radios from 17.4 to 56.8, and wrist watches from 27.4 to 91.4. Some better-off peasants have begun to buy television sets, tape recorders, electric fans, washing

machines, refrigerators, motor cars, and other high-grade consumer goods. Housing has begun to change from the previous practice of building old-style housing to a preference for spacious and attractive living quarters. The average spending per capita on building housing rose from 3.67 yuan in 1978 to 27.56 yuan in 1983, an increase of 650 percent. In the past 5 years, the peasants have built about 2.8 billion square meters of new housing. The area of housing occupied per capita rose from 8.1 to 11.6 square meters. There has been a steady improvement in the quality of housing. Of the new housing built by peasants last year, projects made of bricks, wood, and reinforced concrete accounted for 68 percent. Of the newly built housing by peasants on the suburbs of Shanghai municipality, multistoried structures accounted for three-quarters. Of course, the gap between workers' and peasants' livelihoods that has been formed over a long period of history cannot undergo a fundamental change in a short period of time. At present, there are still big gaps between workers and peasants in technical equipment and labor productivity. There are also still relatively big gaps in material and cultural life. To narrow the gap between workers and peasants still calls for a long period of hard work.

3. In the first 3 years, the residents put emphasis on quantity in their demand for consumer goods. In the latter 2 years, they put stress on quality and variety and therefore their demands are more exacting. In the 3 years from 1979 to 1981, light industrial production showed a big increase, or an average annual increase of 14 percent, which greatly exceeded the average annual increase of 1.3 percent for heavy industry in the same period. People's needs were better fulfilled, as far as quantity was concerned. In the past 2 years, supplies of market commodities have increased. Most of those commodities previously supplied against the presentation of certificates have now been made freely available. Of a small number of commodities that still call for the presentation of certificates, most can be replaced by those obtainable at negotiable prices. Given an increase in urban and rural residents' income and an ever greater improvement in livelihoods, people have become more choosy about market commodities. Take clothing for example. In the past, the style or coloring was drab and monotonous and had not changed for a number of years. Now people in different income brackets have different clothing needs. Moreover, fashions change quickly. Out-of-fashion dresses sell slowly. This calls for clothing that allows more grades, greater variety, more specifications, and more patterns to meet varied needs. The change in consumption patterns and a more competitive market will stimulate a joint reorganization of the light industry and accelerate the restructuring of production and technical transformation. The changes in the above several respects only represent a beginning and still call for consolidation and development. But these conditions have rarely been seen since the founding of the PRC. In one important aspect, they reflect that our economy has stepped onto the road of healthy and harmonious development. They point to the correctness of the policy and the line since the 3d Plenary Session of the 11th CPC Central Committee and also show that given correct guiding ideology, the superiority of socialism can be still better called into play.

The Road of Common Prosperity

Our socialist system has carved out a path for the common prosperity of the whole people. But in the past, given the influence of "leftist" thinking and the prevalence of egalitarianism entitling people to an equal share in the "big rice pot," no one could get rich. After the 3d Plenary Session of the 11th CPC Central Committee, reforms were first introduced in the countryside. Various specialized households and integrated economic enterprises mushroomed, thereby demonstrating their great vitality.

A number of people have become rich first. Is this likely to cause polarization? Facts provide the best answer. A sampling of peasant households shows changes in the composition of peasant households divided into groups based on per capita new income in the past 5 years, as per the table below:

	<u>1978</u>	<u>1981</u>	<u>1983</u>
Annual per capita net income (yuan)	133.6	223.4	309.8
Percentage accounted for by each group of peasants:			
Over 500 yuan		3.2	11.9
400-500 yuan	2.4	5.0	11.6
300-400 yuan		14.4	22.9
200-300 yuan	15.0	34.8	32.9
150-200 yuan	17.6	23.0	13.1
100-150 yuan	31.7	14.9	6.2
Below 100 yuan	33.3	4.7	1.4

The above table shows that the trend of change in peasants at different income levels is: The percentage of high-income households is becoming ever greater and that of low-income ones ever smaller; the mode of income levels (concentrated levels) is developing from a low to a high level. Throughout the countryside, we have witnessed the good beginnings of a situation in which "poor villages and households go from poverty to prosperity, and prosperous villages and households have become increasingly prosperous."

As far as workers' income is concerned, there has also appeared a similar trend. A sampling of worker households shows changes in the composition of households divided into groups based on income, as per the following table:

	<u>1981</u>	<u>1982</u>	<u>1983</u>
Annual per-capita income that can be spent on living expenses (yuan)	458	495	526
Percentage accounted for by various groups of households:			
Over 720 yuan	6.5	10.2	13.1
600-720 yuan	11.9	14.2	16.4
420-600 yuan	42.3	45.4	46.6
300-420 yuan	31.8	25.6	20.3
Below 300 yuan	7.5	4.6	3.6

In the past few years, the growth of the low-income level has been quicker than that of the high-income level. According to a survey by the Tianjin Municipal Statistical Bureau, per capita income of all the households surveyed shows an increase of 52.9 percent in 1983 compared with 1978. Per capita income of those low-income households registered an increase of 65.4 percent and that of those high-income ones an increase of 39.7 percent. This shows that the party and the government have shown still greater concern and care in improving the livelihoods of low-income workers.

In sum, a number of people getting rich first helps guide everyone onto the road to common prosperity. Here there does not exist the phenomenon of polarization marked by accumulated wealth at one end and accumulated poverty at the other end. Of course, there are imbalances in the degrees of improvement. Some households with low wages and many mouths to feed, and a small number of those long without wage adjustment and without additional wage earners live in relatively great poverty. Some peasants placed in poor natural conditions or in areas seriously hit by natural disasters have still not completely solved the problem of getting adequately fed. As far as the people of the whole country are concerned, the present living standard is also relatively low. In future, we must continue to improve the people's livelihoods on the basis of the development of production.

The Relations Between Commodity Prices and Wages

Our country's commodity prices have long remained at a stable level. This has rarely been seen in the world. In the 26 years from 1953 to 1978, the national general index of retail prices showed an average annual rise of 0.8 percent and the general index of workers' cost of living an average increase of 0.9 percent. This played a useful role in stabilizing the market and safeguarding the stability of the people's livelihood. But it must also be noted that given no change in commodity prices over a long period of time, the phenomenon of product prices being incompatible with value has become increasingly prominent. The prices of agricultural products, coal, charcoal, crude oil, and some other industrial raw materials have long been on the low side. The prices of some products related to the processing industry have been on the high side. This has hampered the production of products which sell at low prices and allow a small profit margin and has often led to the blind development of products which sell at high prices and have a high profit margin. This is highly detrimental to the planned and proportionate development of the national economy.

In the past few years, given the maintenance of the basic stability of the general commodity price level, the state has adjusted in a planned manner the prices of certain commodities, allowing an initial improvement in certain long-standing irrational price structures and stimulating the development of production and the thriving of both urban and rural markets. For example, an upward adjustment of purchase prices for agricultural and sideline products has brought about increases in the output of grain, cotton, oil, sugar and other farm products in consecutive years. A drop in the prices of chemical fiber textiles has allowed a switch over from an overstock of chemical fibers to brisk sales and increased output. After the

unfreezing of prices of small commodities, certain small commodities that had not been seen for many years were again actively traded on the market.

While adjusting prices, to guarantee against a deterioration in actual living standards for most of the people, the state, apart from granting each worker a monthly nonstaple food price subsidy of 5 yuan, sold basic daily necessities to urban residents at prices lower than procurement prices. These price subsidies arising from "selling cheap and buying dear" have risen from year to year. Price subsidies for grain, edible oil, poultry, eggs, vegetables, aquatic products, coal for civilian use, and other commodities reached more than 20 billion yuan in 1 year. Also according to Beijing municipality's statistics, subsidies for daily consumer goods and for transportation, rent, and so forth in 1983 reached more than 900 million yuan, or an average allowance of 259 yuan per worker, or an average allowance of 168 yuan per urban resident. This shows that to guarantee the stability of the people's lives, the state has spent much financially.

In spite of this, the rise in market commodity prices also added to the economic burden on the masses. The national index of retail commodity prices in 1983 showed an increase of 14.5 percent, or an average annual increase of 2.7 percent compared with 1978. The general cost of living index for workers registered an increase of 16.7 percent, or an average annual rise of 3.1 percent. According to computations based on sales in the past few years, a 1 percent increase in the national general index of retail commodity prices means an increased annual expenditure of 2 or 3 billion yuan on the part of urban and rural residents. A small part of the increase in workers' income in the past few years has been offset by the increase in commodity prices. The per capita income of worker households available to spend on living expenses showed an average annual increase of 10.7 percent in the past 5 years, or an actual increase of 7.3 percent after adjustment for the increase in workers' cost of living.

As far as changes in wages and commodity prices in the past few years are concerned, an increase in wages was accompanied by an increase in commodity prices, but life had improved, all things considered. If some comrades still have doubts, they may as well look at their own families and check among friends and relatives. Were things better with regard to food and clothing in the past few years, or in the years before? When were purchases of bicycles, wrist watches, television sets, tape recorders, washing machines, electric fans, and other durables made? Were the annual savings deposits greater in the past few years, or in the years before? By taking a look around and doing a little figuring, a person can easily draw the correct conclusion.

Some people ask: Is the index of retail commodity prices understated? Why is it not the same as a person feels intuitively? The existing index of commodity prices is based on more than 140 cities and more than 230 counties as points of investigation. Each point represents 400 or 500 selected commodities. For each commodity, the average of the prices of representative specifications (including list prices, country fair prices, and negotiable prices) was taken as a basis for overall calculation. Basically, this allows

the reflection of the actual changes in commodity prices. Why should this be a bit unlike what people think? One reason is that in the past few years, the prices of vegetables, aquatic products, and other nonstaple products have registered the greatest increases. In 1983 they were 38.6 percent higher than 1978. Durables such as wrist watches, television sets, tape recorders, and so forth dropped in price. For small native and special products and small commodities, buying and selling were put on a negotiable basis, with an increase in prices. Because those commodities involving price increases are closely related to the daily lives of most people, and especially because vegetables and other nonstaple foodstuffs must be bought almost every day, people are left with a deeper impression of rising prices. Those articles involving price reductions are in some cases bought by a minority of people, or bought once in many years. This makes it hard for many consumers to notice. Another reason is that price increases stem from changes in the mix of varieties of commodities. For example, in the past, almost all Beijing went for Chinese cabbage in winter. Now, given more varieties of vegetables, there has been increased consumption of chosen varieties like hothouse-grown cucumbers, xi-hong [6007 4767] persimmons, and so forth. Also, based on combined price calculations (including changes in prices and changes in variety and quality), the prices of vegetables rose 48.6 percent in the past 5 years, and those of beef, mutton, poultry, and aquatic products rose 51.72 percent. The third reason is that in viewing commodity price changes, people are often obsessed with big price increases in certain commodities and fail to take into full consideration the effect of a price change in a given commodity on the general commodity price level. Or, they consider only the changes in the "shopping basket" prices and not changes in the whole list of prices. Still some people just compare country fair prices with those former state-set prices. All this is liable to give an impression of rising prices. In addition, such practices as increasing prices in a subtle way, freely imposing extra charges, palming off seconds as the best, giving short weight, and so forth that run counter to the pricing policy and add to the burden on the masses are not reflected in the commodity price index.

Several Problems That Call for Attention

The new changes in our people's livelihood are encouraging. But they represent just a beginning. We must consolidate and develop such a good situation and handle better the relations between accumulation and consumption, between workers and peasants, between those who get rich first and those who do so later, and so forth. This is an important part of the effort to guide the healthy development of our national economy and put it further onto the road to benign cycles.

Handling better the relations between accumulation and consumption and between construction and livelihood is a major complicated problem. Our past experience is as follows: When things did not quite go well with the national economy, it was relatively easy to set straight the relations between accumulation and consumption. When economic conditions were satisfactory, it was often quite uneasy to do so. In early 1983, there were the symptoms of too sharp an increase in capital construction investment. Only

after the central authorities clearly pointed out the problem and after the method of holding people responsible from level to level was adopted, were things brought under control. In the period of the "Seventh 5-Year Plan," we must continue to control capital construction investment and insist on keeping accumulated funds within reasonable limits--with the emphasis on technical transformation and project expansion and conversion. On the other hand, given the reform of the system, the simplification of administration and the delegation of power, and the imposition of no ceilings on bonuses, controlling consumption funds is also a problem that calls for attention. Improved remuneration for labor must be based on increased labor productivity.

As far as worker-peasant relations are concerned, we face tasks in two fields. On the one hand, on the basis of the development of rural production, we must further improve rural residents' lives. This calls for a lot of work. On the other hand, urban workers' income must be appropriately raised. For certain departments and enterprises credited with great contributions and quick progress, we should allow higher wages for individuals. Be it physical or mental workers, or be it production units, cultural, educational and sanitation units or administrative organs, this principle should be upheld. Between departments, between different kinds of work and between individuals, wage differences should be properly adjusted in line with economic results and contributions to the state. Of course, we should also avoid the existence of irrational differences.

Given an improvement in the life of most of the people, we must take note that whether in the city or the countryside, there are still a small number of households suffering from material shortages. They still need state and social help. Especially in the countryside, given highly unbalanced economic development in various areas and unbalanced labor credited to each household, a small number of areas or households are suffering from material shortages. Also, given climatic changes in various parts of our country, every year always sees a small number of areas hit by natural calamities. In the past, life was relatively hard for peasants. Local party and administrative departments all tackled relief work as a major issue. Now the masses of peasants lead a better life. Neglect of a small number of disaster-affected areas and households suffering from material shortages is often likely. This is a matter that calls for attention.

Commodity prices are a matter of concern to everyone. In future, we must still uphold the guideline of basic stability in commodity prices. But stability is not to be equated with freezing. There must be appropriate adjustments in a systematic manner. Otherwise, the development of production will suffer. The masses of people will also ultimately suffer. For a long period of time, commodity prices stayed at the same level. This explains why many people are unused to any price adjustment, or are ill-prepared ideologically. In future, we must give more publicity to the need of making appropriate adjustments on the basis of basic stability. Meanwhile, we must enable increases in the wage level to keep ahead of increases in commodity prices.

Production determines consumption. Consumption also automatically produces a tremendous impact on production. Any kind of production will naturally slow down or stop, if the relevant product does not meet the needs of consumers or is even basically unfit for consumption. In the future development of production, we must also pay attention to giving full play to the reaction of consumption on production and properly encourage consumption. All production units must put the ever growing needs of consumers in the first place and try by every means to satisfy consumers' needs. Only in this way can our production effort thrive and develop in an ever changing way. And only in this way can the aim of socialist production be consciously realized and can the superiority of socialism be better brought into play.

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NEW SOUNDS OF THE FLOWER DRUM

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[Article by Chen Tingyuan [7115 1656 0337]]

[Text] "They say of Fengyang [7364 7122] that it was originally a fine place, but from the time of the Ming emperors, there were 9 years of famine in every 10. The rich families sold their horses and mules and the poor families sold their sons. My family had no sons to sell, so I took a flower drum on my back and went wandering."

This tragic, sorrowful flower drum poem has for the last several centuries been the call to arms for the vast number of Fengyang people in denouncing the feudal ruling class. According to historical records, after the Song Dynasty the silt from the Huai He became a pressing danger. Fengyang, which was situated on the south side of the Huai He also experienced repeated famines. When Zhu Yuanzhang [2612 0337 3864] became emperor, he gave the elders in this, his native place, no assistance but instead engaged in great construction here. He built an extravagant "central capital" and the Ming imperial tombs. The vast number of laboring people were subject to heavy corvee labor demands. "People were unable to care for their mothers and fathers and were unable to support and cherish their wives and sons." Famine years occurred, "the fields were without grain and the countryside was without grass. Itinerants filled the roads and the starving people ate each other." These difficult days of dire poverty for the people continued right until the eve of liberation. During the period of the Kuomintang's reactionary rule, the people here suffered greater hunger and cold. At that time, despotic landlords, local tyrants, and corrupt officials as well as local hooligans and brigands colluded to extort excessive taxes and levies and engaged in blackmail. The people here were forced every autumn to go off in pairs--sisters-in-law, old women and their daughters-in-law, wives of brothers, mothers and daughters, or sisters--one person depending on the other. They took flower drums and small gongs on their backs and sang in the streets and lanes or begged from place to place. "Fengyang" became the synonym for fleeing famine and seeking food. The increasing years of difficulty caused the Fengyang people to gradually recognize the root cause of their poverty. Thus everybody changed the flower drum poem a little and sang "They say of Fengyang, that it was originally a fine place, but from the time of the Kuomintang, there were 9 years of famine in every 10...."

In the old society, it was the "Ming emperors" and the reactionary rule of the Kuomintang which cast the Fengyang people into an abyss of vagrancy, begging, starvation and death!

But a turn for the better occurred. In October 1949, a salvo welcomed Fengyang's new life. The Fengyang people were completely freed politically, and they broke away from oppressive exploitation economically. Under the leadership of the CPC and the people's government, they confidently stood up and, with joyous and wonderful expectations, enthusiastically administered their village, did much work in water conservation capital construction, and energetically changed their production conditions. Prior to liberation, Fengyang had nothing like a reservoir or even a large pool or dam. The masses described the water conservation at that time as "pools the size of plates, dams like saucers, and a stream like a chicken's intestine. The crops relied entirely on the rain" and "if it rained for 3 days, it would be flooded like a bay. No rain for 5 days and the hills would be parched." Since liberation, the state has invested 44 million yuan and built 137 reservoirs and 10,648 pools and dams. The water storage capacity has increased from the 1949 figure of 45 million cubic meters to 331.4 million cubic meters. This has promoted the development of agricultural production and the peasants' lives have been clearly improved. Following the development of agricultural production, social welfare also changed greatly. In 1949, there was only one middle school with 97 pupils in the whole county. There were 190 primary schools with 13,000 pupils. Since liberation, the number of middle schools has increased to 38, an increase of over 30 times since the early period after liberation. Students number 20,000, an increase over the early period after liberation of 206 times. The number of primary schools has increased to 404, over twice the number in the early post-liberation period, and the number of pupils has increased to 70,000, over five times the figure in the early period after liberation. Prior to liberation there was not one health facility in the county, nor any hospital beds. Since liberation, over 50 medical and health organs have been set up and over 570 hospital beds supplied. The number of medical workers has increased to over 800. On the eve of liberation, Fengyang had no industry to speak of. The total industrial production value of the entire county was only 5.46 million yuan. This year total industrial production value will reach 100 million yuan, over 180 times the preliberation figure. [figures as published] Other facilities, such as communications and electricity supply have all seen great development. The Fengyang people still emotionally recall the unforgettable happy years after the land reform and the start of the elementary agricultural producer's cooperatives. At that time, production developed swiftly and within several years grain production grew from 90 million jin to 260 million jin. People had to line up to sell grain to the cooperatives and those selling their surplus grain camped outside the grain station doors. Society was peaceful. Things lost on the road were not picked up by others, doors were not locked at night, and people lived and worked in peace and contentment. The country was at peace and the people content. The party and the people's government rescued the laboring people of Fengyang after they had lost hope and were on the brink of death, and gave them a new life. The vast number of the laboring people in Fengyang, from their own experience, fully realized that the party's kindness is greater than heaven and deeper

than the seas. Even though our party experienced a tortuous road and made mistakes in leading the people ahead, in the difficult situations the simple people of Fengyang did not lose their feelings for the party. They firmly believed that our party would be able to correct the mistakes, overcome the difficulties, correct the course, and proceed forward. The facts of history are thus. The ideological line of seeking truth from facts and the series of policies to bring order out of chaos decided by the 3d Plenary Session of the 11th CPC Central Committee are completely at one with the thoughts of the vast masses. In the minds of the vast number of people, the party's image is even greater, and the party is even more loved and respected! Under the guidance of the spirit of the 3d Plenary Session of the 11th CPC Central Committee, the Fengyang people took the lead in the nation in implementing the "all-round" agricultural production responsibility system. In the first year, they contracted to groups and in the second year, to households. This type of production responsibility system, which has the word "contract" as its center, is greatly suited to the actual situation at the present stage in our country's development of social production. The vast number of peasants have production management autonomy and thus responsibilities, rights, and interests are closely combined. This really puts into effect the principle of more benefits for more work and overcomes egalitarianism. Therefore it has greatly motivated the production enthusiasm of the vast masses and brought unimaginable changes to Fengyang. People often think that numbers are uninteresting. However, since the 3d Plenary Session of the 11th CPC Central Committee, there has appeared on the statistical tables of Fengyang an exciting, splendid melody! Using peasants' agricultural production income and capital construction as measures, since the "all-round contract system" was implemented, agriculture has grown yearly with five great steps being taken in 5 years. Both production quantities and production value have multiplied. In 1983, the total production of grains in the county reached 817 million jin, as against 295 million jin in 1978, prior to the implementation of the "all-round contract system." This is an increase of 520 [figure as published] million jin or 177 percent. Compared to the 1949 figure just after liberation of 99 million jin, it represents an increase of over 700 million jin, or 725 percent. The 1983 total agricultural output value reached 220 million yuan, an increase of 133 million yuan or 162 percent over the 1978 figure of 83.91 million yuan [figures as published]. This is a five-fold increase over the 1949 figure of 36.87 million yuan. In 1949, the average amount of grain produced per household in the county was only 1,400 jin and the average produced per capita was only 343 jin. In 1983 the average produced per household had reached 8,350 jin while per capita production was 1,680 jin. Of the 44 villages in the county, in 1983, 17 had an average per capita grain production of a ton or above. Over 60 percent of the rural households were 10,000-jin of grain households. In the last 5 years, the peasants of the county have sold the state 1 billion jin of grain, with each household contributing over 10,000 jin. In 1983, the amount of grain sold to the state was 330 million jin and the commodity rate exceeded 40 percent. In 1978, before the "all-round contract system" had been implemented, the average per capita income of the peasants in the county was only 81 yuan. By 1983, this had increased to 368 yuan, a 4.5-fold increase over 1978. What is exciting is that with money and grain in their hands, the peasants energetically threw themselves into diversified

management and industrial, sideline, and commercial operations. This has resulted in great changes in the rural economic structure. There is a flourishing situation in commodity production and a great number of specialized households which mainly engage in commodity production have emerged. In the whole county, at present there are 25,800 specialized households (25 percent of all rural households). These specialized households in general have incomes of several thousand yuan per annum. Some have reached 10,000 yuan and a few have incomes of tens of thousands of yuan. Many peasants proudly say: "Now we have no worries about food, clothing, shelter, or daily necessities, and there are endless 10 yuan notes in our pockets." Other peasants describe their lives as "the clothes we wear are like those they wear in the cities, the rice and noodles we eat are of finer quality, the houses we live in are now tiled, and we now travel in vehicles." Following the development of agricultural production and the increase in peasant income, the various capital construction undertakings have developed with great strides. In regard to water conservation construction, since the implementation of the "all-round contract system" the peasants have successively invested in water conservation a total of 12.68 million yuan (62.5 percent of the total investment in water conservation in the county). They have renewed or improved irrigation over an area of 33,000 mu and the area of drought-affected or waterlogged land which has been conserved has increased from 25,000 mu to 40,000 mu. In the field of electric power, over the last few years the peasants have collected 8.36 million yuan (80 percent of total investment in electric power) to bring electricity to areas and villages. At present 87.6 percent of all villages and 74.4 percent of all brigades are supplied with electricity. In many remote mountain villages and places long deficient in food there is now the sound of loudspeakers in each brigade and the brightness of electric lights in every household. In road construction, the peasants have invested 1.05 million yuan. The county is now joined to the districts, the districts to the townships and the townships to the villages by crisscrossing gravel roads. They are passable in all weather and are the first stage in forming a rural road network. In regard to school construction, since 1981 the peasants have collected over 1.8 million yuan which has been supplemented by 1 million yuan from the state. They have newly constructed or renovated 3,000 tiled school buildings. This exceeds the total number of tiled school buildings built in the 30 years prior to the implementation of the "overall contract system." They have also supplied tens of thousands of school desks which have greatly improved teaching conditions. In order to accord with the demands of developing commodity production, and the demands of building socialist spiritual and material civilization, the last few years have also seen the initial results of construction in towns. Rural towns, in accordance with the demands of planning, are widening and repairing roads and laying cement road surfaces. Many specialized households have settled down in the towns and started businesses, engaging in industry and commerce. The number of cinemas in towns has grown from 3 to 32, and the number of film projection teams has increased from the original 25 to the present 76. All towns have established agricultural technology popularization stations. Now townships in districts and villages are gradually setting up rural political, economic, cultural, and science and technology centers, which will gradually become bases for developing commodity production and bridges for exchanging goods and materials

between city and countryside. In terms of agricultural mechanization, prior to the implementation of the "overall contract system" the entire county only had 1,200-plus large and small tractors and agricultural-use vehicles. Now the county has 5,500 of these. The number of pieces of other agricultural machinery has increased from 1,500 to over 2,500. Plowing, threshing, transport, irrigation, and processing have already been basically mechanized.

Now, the tragic, sorrowful Fengyang flower drum poem has a new stanza and everybody happily sings:

"They say of Fengyang that it is a fine place. The party policies accord with the wishes of the people and great changes have occurred in a few years. Pigs fill the sties and grain fills the warehouses. There are bumper grain harvests and domestic animals all thrive. All the families and households have built new houses. The people are robust and horses strong. Coming and going the people are happier with each passing day. The flower drum women no longer walked destitute to other villages. Getting rich through labor is now glorious and, having sufficient food and clothes, the people are extremely happy. When drinking water, we think of those who dug the well; in our happiness it is difficult to forget the Communist Party."

After liberation, I worked in the villages for over 30 years. Following the party and imbued with passion, I enjoyed the happiness of victory after victory. The great victory of achieving a new countenance for Fengyang often caused me to become so worked up that I could not sleep at night. A county which had suffered extreme difficulties and from which one had to flee in order to escape famine in old China has changed into a fine place where people have enough food and clothes, the economy is flourishing, and there is prosperous development. And speaking of marvels, was this not a great miracle? From my own experiences, I have fully realized that if there was no Communist Party of China, there would be no today for Fengyang. If it was not for the CPC there would be no today for China! Since the 3d Plenary Session of the 11th CPC Central Committee I have often gone from commune to commune, looked at village after village and visited peasant after peasant. I have seen prosperity and heard everybody say: "We are lucky to have the guidance of the Communist Party!" I know that in building socialist new villages, there is still a long, tough road ahead. We are determined to develop the achievements of the "all-round contract system" and to continually press forward in reform. In the same way as we did in the year that we implemented the "all-round contract system" we will be brave in smashing the old restrictions and conventions built up over the years and will establish a new order in accordance with the new situation. We will cause the relations of production to be further suited to the needs of the development of the productive forces and cause the superstructure to develop in concert with the economic base. We will struggle to quickly join the ranks of those prosperous counties across the country and earnestly struggle to achieve, ahead of time, the aim of quadrupling production!

THE ASPIRATIONS OF A SCIENTIFIC-TECHNOLOGICAL WORKER

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 33-34, 32

[Article by Chang Jiong [1603 6608]]

[Text] Although I do not consider myself old, I am approaching old age. Life in the past several decades can roughly be divided into two halves. The earlier 30-odd years were spent in anxiety and suppression and without dignity. The 35 years after liberation were spent, under the radiance of the party, in the pursuit of advances and glory. Although there were ups and downs in between, I was always confident of making my way ahead by following the party. I felt fulfilled and happy. After 30-odd years of searching, I have found a glorious home politically speaking, and have made new beginnings in work. Around me, I see a new generation of talented people growing up. I become older every year but nevertheless happier. Being a scientific-technological workers, my feelings are aroused by looking back on the past and at the present during this countrywide celebration of the 35th anniversary of the founding of the country.

The "September 18" incident took place when I was studying in Sicun junior middle school in Beijing. After that my heart was as heavy as if being pressed by a piece of stone. I remember on a day in the 10th month of Chinese calendar, round a corner of a small alley outside the school, there was a family of poor wanderers from the northeast shivering in the strong wind and the children were so cold that they could not stop screaming and crying. When we saw this, a few of my classmates and myself spontaneously took off our sweaters and put them in their hands, we then left silently and were too sad to look at them again. It was on this same day that we saw a group of Japanese soldiers rushing madly through Dongan market, making a mess of the displayed goods in the market and they even stabbed one of the peddlers with a bayonet without giving any reason. This showed me what a weak country was like. When could the catastrophe of the Chinese nation be remedied? When could the state become strong? When could the children of the Chinese nation get rid of humiliations? The answer was as empty as if "one asked the silent sky above or the east-flowing stream below."

Later, I pursued my studies in the fourth senior middle school in Beijing and state security deteriorated; the steel hooves of the Japanese invaders had already trodden up to the gate of Beijing. Each and every youth with

lofty ideals was working hard for a way to save the nation and the people. I was very young then and thought that I should strive to acquire a skill to save the nation. There were arts and science classes in the fourth senior middle school and I chose the latter and intended to study engineering techniques well in order to save the country. I once thought of joining the army but that was only a momentary impulse. I still remember that I once wrote a short poem to describe my spiritual depression:

None of the eggs will remain unbroken when the nest is overturned and when
the tree falls,
The hearts of the people are saddened when mountains and rivers of the
country are ruined.
Get up, hold the weapon in your hand and serve the state,
I am willing to shed my warm blood for the sake of safeguarding our territorial integrity.

I was admitted to the electrical engineering department of Qinghua University in 1936, but just 1 year from then, the "July 7th" incident occurred. Shortly after that, my family and I fled to the south on foot day after day along the Beijing-Hankou railway line and this was the beginning of our restless and homeless life. The road was full of refugees, including old people and infants. Throughout my life I have been unable to forget the starving babies who were abandoned on the way and the wounded soldiers who were moaning and waiting for death along the roads. This was too sad a scene to see. How was it that the sacred motherland was being trodden and ruined by others? And how was it that the Chinese people were being killed and humiliated by others in this way?

Friends who had fled to Hankou gathered in front of the Huanghelou to analyze the grave situation that confronted us and make plans for the future. It became quite clear that there would be long-term resistance against the war. As far as we, the engineering students, were concerned, there would be a day for us to contribute to the nation when we had mastered engineering techniques well. Therefore I made my way to Changsha and then to Kunming where I completed university. During this period, although there were frustrations, I was able to concentrate my efforts on mastering engineering techniques. After graduation, I worked for 3 years in a factory and then I went to study abroad for another 4 years. I returned to the motherland with some illusions after the country had won a victory in the war of resistance. I thought that since our country had won a victory in the war of resistance, the state would start to reconstruct and science and technology would be the most badly needed thing. As an engineering technician, I should do my best for the reconstruction of the state. However what I saw and heard after I had returned to the country made my illusions vanish like bubbles. What I saw was a land swarming with famished refugees, poverty, and all ranks of government officials exhausting the resources of the people for their personal gains. How could one talk about education or construction? In a situation like this, people all over the country were looking forward to liberation. Only by overthrowing a corrupt regime were we able to talk about construction of the country.

The motherland was liberated and the people were victorious shortly after I had returned to the state. I attended the state-founding ceremony with an excited heart. This was a most memorable day to me. With a strong and loud voice, Chairman Mao solemnly proclaimed to the world: We, the Chinese people, have stood up. At that moment, the surrounding noises seemed to have been subdued, only these words of Chairman Mao struck the heavens. China had stood up like a giant in the east. This put an end to the old days of old China when the state was like a basin of scattered sand and was subject to arbitrary invasion and humiliation by others. The day had come when the Chinese people could be proud and elated. How could we remain unexcited? Immediately after the state-founding ceremony, there was a lantern parade and a blazing dragon was dancing in the air in Changan Street. From then on, the Chinese people also became active in the world arena like this huge dragon.

Under the leadership of the Communist Party, all people throughout the country had broken the trammels and eliminated the dregs of the old society, there was a change in the appearance of the society and the people became enlightened. Social order was restored and production was resumed in a short time. Industries, communications, and education were being developed as well.

After striving for 30-odd years, our country has won great successes in various construction projects and has laid a solid basis. There is a great difference when compared to the situation before the liberation.

As far as electronics and information science techniques in which I am engaged are concerned, there were no prospects at all before liberation. At that time, there were only a few medium-sized wireless equipment plants where equipment was simple and crude. The operation of these plants totally depended on the import of foreign equipment and even the most common resistor had to be imported. We were unable to talk about the electronics industry at that time and there were no opportunities to apply the new electronics technology. The situation completely changed after liberation. Just a few years later, our country established a complete electronics industry system and many organs to deal with research on electronics. The outstanding results were: the successful launching of satellites, the precise firing of long-range guided missiles, broadcast reception over all areas of the country, and the extensive application of electronic equipment. During recent years, on three occasions, I attended the International Pattern Recognition Society on behalf of the country and was treated with respect by colleagues of other countries. It was particularly agreed by representatives of 20 countries at the meeting held this year that a large-scale international meeting would be held in Beijing in 1988. This made me profoundly feel that in the wake of the strengthening of our country and the advances of science and technology, many aspects of our country's science and technology had reached an advanced level in the world. This has made our country's scientific and technological workers feel delighted and proud. It was never dreamed of in the past. While I was abroad, I happened to meet some of my old classmates at Harvard University, and they expressed the view that the stronger the motherland, the more respectable they are in a foreign country. They were also proud of the advances of the motherland's science and technology. In future, and

under the correct guidance of the party's principles, our country's science and technology will enjoy greater and faster development.

However, over the past 35 years, our journey was not a smooth one and there were mistakes and setbacks. The catastrophe of the "Great Cultural Revolution," in particular, seriously sabotaged the education of the country and caused an economic crisis. But, our party was able to stand this test and smashed the "gang of four." Justice finally defeated evil, the whole country rejoiced, and all the people shared the happiness. As a scientific and technological worker, it was very depressing during the 10 years of upheaval to see a situation in which "it was sinful to teach and reactionary to study." When the news of the thorough overthrowing of the "gang of four" reached our ears, we were as happy as the other people throughout the country and felt deep down in our hearts that: "There is hope for the party, there is hope for China." However, a precious decade had been wasted. I was in the neighborhood of 60, and what else could I do in the years to come! I then spurred myself on and decided to contribute my last efforts to the four modernizations of the motherland. This is the aspiration of a scientific and technological worker, and I think this is also the feeling of many of my colleagues. In order to encourage myself, I borrowed Lu Xun's words to compose a short poem:

China will be irrigated in spring when the snow melts,
And hundreds of flowers will bloom when the upheaval is over.
The kind east wind will bring us strength,
New buds will grow in old trees.

These few words were accidentally seen by an unacquainted 78-year-old painter Duanmu Mengxi. The old man shared the same feeling and then painted a picture on this and the picture was given to me as a gift. When I saw the old man's painting, it seemed as if I could read his heart. This incident has convinced me that all people, whether young or old, are eager to see the motherland's prosperous future and are willing to contribute all their efforts to the four modernization cause of the motherland. Such an understanding between the party and the people is a strong guarantee for approaching victory after victory.

Our country's road has shifted to the four modernization cause since the 3d Plenary Session of the 11th CPC Central Committee. This is a major concern for the country and the people. I feel a heavy responsibility as a scientific and technological worker. When our country had opened up and when we had enlarged our horizons, it was evident that during the 10 years of upheaval, there was a halt in our country's scientific and technological work, while a new technological revolution was taking place over the world. As a result of this, the distance between us increased. This is a serious challenge to us but is also an opportunity for us to catch up with the times. As far as the scientific and technological workers are concerned, we must not evade this solemn historical task which we shoulder. Presently, there is a rapid development in science and technology and the situation is competitive. We must adopt a serious attitude, make full preparation and work hard to catch up. All opportunities are prepared for those who have prepared themselves.

Our ancestors have left us this saying: "The old cow knows that dusk is near, and it will spontaneously speed up its pace without your whipping it." In my opinion, it should more appropriately be rewritten as: "When the old cow catches sight of the distant future, it will spontaneously speed up its pace without your whipping it." At this very moment, we, the veteran scientific and technological workers, should understand that our burden is heavy and the road is long, and we must all be like Bole and promptly elect young leaders so that our country's science and technology will have a rapid development and maintain its vigor forever!

CSO: 4004/6

DEVELOP BIOENGINEERING; DEDICATING ONESELF TO THE BUILDING OF CHINA'S
'HIGH-RISE TOWER'

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 35-36

[Article by Hu Daofeng [5170 6670 5358]]

[Text] I was only 16 in 1949 when the five-star red flag was first raised in Tiananmen. Over the last 35 years, I gradually learned the revolutionary theories under the education and concern of the party, and have established the aspiration of making China prosperous and dedicating myself to the motherland's agricultural science.

I remember in the winter of 1951, after I had seen a Russian movie "Miqiulin" [4717 8002 2651] I repeatedly thought: There is a dense population in our country, and if the question of food cannot be solved, it will be impossible for the country to become prosperous and strong. I wanted to engage myself in farming but I realized that this would be a very difficult road to take. Thus, this aroused intense ideological struggle. Finally, I made my mind up to dedicate my whole life to the motherland's agricultural science. When I enrolled myself in university in 1952, I unswervingly chose the Beijing Agricultural University. Many of my relatives and classmates then found this incomprehensible and asked: "A young lady like you who has lived in Shanghai ever since birth, has never been to the rural areas, and is unable to tell the difference between wheat and Chinese chive. Why are you so crazy about agriculture?" My parents also persuaded me and said: "This is a very difficult way to proceed." However, all these failed to shake me. In autumn that year, I finally stepped through the gate of the Beijing Agricultural University. A year after that, the organization sent me to acquire higher knowledge in the Jimiliajiefu [1323 4717 0448 0068 2212 1133] Agricultural Institute in Moscow, Russia.

In 1959 I returned to Beijing with the enthusiasm of applying the knowledge that I had acquired to constructing the motherland's agriculture. The anti-rightist struggle was taking place at that time and the intellectuals were being discriminated against, scientific research was backward and we were unable to apply the knowledge that we had acquired. In 1962 when the "eight character" principle was implemented, there were certain readjustments of the party's policies and the situation started to turn better. There were improvements in scientific research and just on the eve of the "Great Cultural

Revolution" our subject group succeeded in cultivating by conventional methods two kinds of wheat---"707" and "7016" which were popularized in an area of 100,000 mu in the suburbs of Beijing. However, during the 10 years of upheaval, our scientific research suffered setbacks again, those who made distinctive achievements in scientific research were criticized. Apart from laboring in the cadre school, I pleased myself only by reading and doing some translations. In February 1976, the Beijing Municipal Science Committee adopted the research subject "The Application of Plant Tissue Cultivation Techniques in the Cultivation of Crops," demanding that we apply the technique of wheat pollen monopleid to the cultivation of strains. In the past, my work was mainly on conventional cultivation of wheat strains and I was unfamiliar with cell projects or cell cultivation, and due to my persistent disease of hypertension, I was afraid of this difficult task. At that time, the great and kind image of Premier Zhou Enlai appeared in front of me. I thought we could not just mourn for Premier Zhou with tears and pain but should turn our pains into strength and do a good job of scientific research. The upheaval then had not been put and end to and a lot of problems remained unsolved, but I was still bold enough to undertake this new task.

In the Beijing Municipal Agricultural Science Research Center to which I was attached at that time there was no equipment for carrying out pollen cultivation, therefore, in order to yield results as soon as possible, I borrowed the experimental facilities of the plant department of the Chinese Academy of Sciences. I cultivated 18 young winter wheat plants in a year's time. This was a promising step which strengthened our confidence. In 1977, we set up our own tissue cultivation room, creating favorable conditions for scientific research. Since the 3d Plenary Session of the 11th CPC Central Committee and under the warm concern of the responsible comrades of the Beijing Municipal Committee, our work went particularly smoothly. The comrades in charge of the municipal government named the new strain of winter wheat cultivated by us "Beijing Flower No 1." Throughout the entire process of research, geneticist Professor Hu Han, wheat expert Cai Xu, strain cultivation expert Zhuang Qiaosheng and other comrades fully supported our work, gave us warm guidance and rendered specific assistance and also provided an enormous amount of technological materials. In June 1982 during the second national conference on pollen cultivation of wheat, all the participants of the meeting went to the suburbs outside Beijing to see the bumper harvest of "Beijing Flower No 1." When they saw the "Beijing Flower No 1" wheat which was strong and had big heads and high disease resistance, they unanimously praised this new strain which was the first satisfactory application of another cultivation method in production. At the second congress of the Chinese Genetics Society and the academic exchange meeting held in Fuzhou in 1983, I made an academic report on "The Application of Winter Wheat Pollen and Spore in Cultivation of Strains--Cultivation of New Strain 'Beijing Flower No 1'" and all the participants held that the "Beijing Flower No 1" was one of the remarkable achievements of our country's bioengineering. Over the past 3 years, experts of the same discipline from over 10 countries visited my room and they appreciated that this research is of an international advanced level.

After testing in the suburbs of Beijing, Hebei, Shandong, and other areas, the average yield of "Beijing Flower No 1" wheat is 600 to 800 jin per mu. This shows an increase of more than 10 percent over the per mu yield of the local strain. The deceased national labor model Xi Qingwen trial cultivated this in Nanhan in the suburbs of Beijing in 1982 and the average yield reached 1,022 jin per mu. In 1983, Jialing commune of Sanhe County in Hebei Province trial cultivated this in an area of 10 mu and the average yield per mu reached 1,024 jin. The successful trial cultivation of "Beijing Flower No 1" aroused the great attention of the authorities concerned. At present, there are over 1,000 trial cultivation points all over 10 provinces and municipalities and the fall sown area this year reached 1 million mu. The seed companies in Hebei, Shandong, and other provinces have carefully arranged for trial districts, conducted "Beijing Flower No 1" study classes, popularizing and exchanging experiences and publicizing it. This has fully reflected the strong desire of our peasants to learn science and apply it, and this, on the other hand, has speeded up scientific research in agriculture.

The success in the research of "Beijing Flower No 1" has established a program of pollen breeding, enriching and developing the theory and actual practice of wheat pollen breeding, probing a new way of winter wheat breeding, and shortening the breeding cycle (by 4 years). This is a new breakthrough in the method of breeding. The party accorded me a high reputation and the Beijing Municipal Government gave me a great prize when I made my first step in wheat pollen breeding. Recently, I had the honor of being admitted to the CPC. During this period, my tasks were heavy and there was inadequate time for rest, but it was the happiest time in my life. Simultaneously, I was very frustrated, feeling that I owed the people too much and was not doing enough for them. I deeply realized that this prize was not given to me personally, but was a specific realization of the party's and the state's concern for all scientific and technological personnel in my department, and personnel who warmly guided the "Beijing Flower No 1" research work, and the broad masses of scientific and technological personnel throughout the country, and was also the specific realization of the party's and the government's call, since the third plenary session, on the whole party and all the people to respect knowledge and respect the intellectuals. The party's award to me does not imply the end of my scientific research work, but is a new starting point; the strains "Beijing Flower No 2" and "Beijing Flower No 3" have been successfully bred and are now being trial cultivated and propagated.

The 3d Plenary Session of the 11th CPC Central Committee has brought a spring to science. At present, a new global technological revolution is taking place, bioengineering has been considered as one of the technological bases of new global production and is an important means to seek high agricultural yield. It is recognized that our country's techniques such as anther separate cultivation and monoploid breeding are occupying a leading position over the world. However, in view of the overall situation, there is still great distance between research in bioengineering in our country and that abroad. Breeding of new strains by genes and cells and in particular, the adoption of the technique of recomposing genes and cells

combination in breeding of new crops which are disease and pest resistant, salt and alkaline resistant, low-temperate resistant, have a high nitrogen fixation capacity, a high light sensitivity and great potential for increasing yields is extremely important in solving the contradiction of a dense population and inadequate land in our country. Our country's agriculture has a history of over several thousands of years and has accumulated rich experiences, and with an agricultural scientific research force, there are prospects in developing bioengineering. I am one of the scientific and technological fighters of the agricultural front, shouldering the heavy task of modernizing agriculture. My task is heavy and the road is long. In a letter to Comrade Hua Luogen in 1982, Comrade Hu Yaobang used the story of a "high-rise tower" of ancient Babylonian architecture to call on the Chinese scientific workers to work with concerted efforts and be united in heroically dedicating themselves to our country's socialist four modernization cause. I resolutely respond to Comrade Hu Yaobang's call, I will cautiously and conscientiously promote scientific research work, strive for making China prosperous and dedicate myself to constructing China's "high-rise tower."

CSO: 4004/6

ANARCHISM IS DIAMETRICALLY OPPOSED TO SOCIALIST DEMOCRACY

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 37-40

[Article by Zhai Sishi [5049 1835 1395]]

[Text] During the "Great Cultural Revolution," anarchism was rampant under the banner of "extensive democracy." Up to the present, its pernicious influence can still be found in some corners and in some persons and is still affecting social stability and unity and our modernization. However, while practicing anarchism, some anarchists and their apologists will talk at length as if they are "fighting for democracy." Moreover, in their opinion, socialism should embody such "democracy." In carrying out education in thoroughly negating the "Great Cultural Revolution," it is imperative to correct the erroneous idea of confusing anarchism with socialist democracy.

Anarchism emerged as a social ideological trend in Europe in the 19th century. It is in essence a reactionary thought of the petite bourgeoisie and the lumpen proletariat. The earliest advocates of anarchism were Stirner of Germany and Godwin of Britain. Later representatives were Proudhon of France and Bakunin and Kropotkin of Russia, who were called "fathers of anarchism." Anarchists have many fallacies, but their basic viewpoints boil down to this: They do not want any political party, do not want any state, oppose dictatorship, oppose authority, and stand for absolute freedom. As Proudhon said: "We do not want any political party; we do not want power; we want absolute freedom enjoyed by all people and citizens. These three sentences are our firm political and social pledges." Being a product of petit bourgeois ideology under the oppression of the capitalist system, this thesis of the anarchists was an illusion and is diametrically opposed to scientific socialism. Marx, Engels, Lenin, and Stalin mercilessly exposed, criticized, and fought against anarchism.

Marxists hold that man's activities are carried out under certain social relationships. Society is an organic body formed by man according to certain social relationships. Here, authority, administration, and subordination are required. Without these, society cannot be formed and cannot exist at all. Similarly, man's activities cannot but be restricted by certain social relationships and a certain administrative system. While criticizing Bakunin, Engels pointed out: "A society which is composed of even only two persons will not exist if neither of the two is willing to

abandon some autonomy." ("Selected Works of Marx and Engels," Vol 4, p 401) What is worth mentioning is that Marxists have never opposed states in abstract and general terms; they deal with different states in different ways. Marxists oppose the dictatorship of a small number of exploiters over a vast number of working people and resolutely stand for and enthusiastically support actions aimed at overthrowing bourgeois dictatorship and establishing proletarian dictatorship. They maintain that only by establishing proletarian dictatorship, can the capitalist exploiting system be eliminated and the people enjoy full freedom and democracy. Anarchists negate the fundamental difference between the two types of states. Bakunin claimed: "We oppose states and any manifestation of states at any time, in any place, and unconditionally." Stirner said: "I declare war on all states including the most democratic ones." Thus, anarchists oppose all types of dictatorship and states. Naturally, they also oppose the state under proletarian dictatorship as well as socialist democracy.

According to the Marxist viewpoint, democracy is a matter of the state system. As Lenin pointed out: "Democracy is a form of the state, one of its varieties." ("Selected Works of Lenin," Vol 3, p 257) Socialist democracy is a form of the state under which the people are masters of the country. Under this state form, all power belongs to the people and the people have the power to manage state, economic, cultural, and social affairs. Socialist democracy reflects the fundamental interests of the masses. It is a type of democracy geared to the needs of the masses, therefore we say that it is a new type of democracy which is more democratic than capitalist democracy. The establishment of the socialist democratic system was the result of the proletariat overthrowing reactionary rule through the people's long-term revolutionary struggle under the leadership of the communist party. Without the leadership of the communist party, the people could not have had democracy in the past, nor would they have been able to effectively exercise their democratic right of being masters of the country. So socialist democracy is guided democracy. Deviation from this basic viewpoint will make it difficult for one to "strive for democracy." To develop socialist democracy, we should strengthen and improve party leadership, further perfect our state system of socialism, and let the people be masters of the country in a better manner. We should not in the least practice such "absolute democracy" as "allowing everyone to do what he likes" and "what the masses say counts," for this is definitely not socialist democracy but anarchism. The destructive nature of anarchism made a most telling exposure of itself during the "Great Cultural Revolution." At that time, under the pretext of "extensive democracy," the Lin Biao and Jiang Qing counterrevolutionary cliques instigated anarchism in an unprecedentedly frantic manner. Rampant were the confusing slogans of "casting doubts on everything," "overthrowing everything," "kicking away party committees to make revolution," "all mass movements being correct and reasonable," and the "target of struggle being correct so long as it is directed at the higher authorities." Beating, smashing, looting, ransacking, and capturing could be seen in every corner. Party organizations and organs of state power were paralyzed or semiparalyzed. The national economy was on the brink of collapse. In the meantime, the Lin Biao and Jiang Qing counterrevolutionary cliques usurped quite a part of party and state leadership by making use of the turmoil, and exercised

feudalistic fascist dictatorship over the people under the pretext of "mass dictatorship." Facts have fully proved that the purpose of anarchists in putting forward their "democracy" is to overthrow party leadership and the socialist democratic system. This, of course, is thorough deprivation of the people's democratic rights.

The so-called "democracy" put forward by anarchists is in fact a manifestation of the thought of putting individualism above everything else and doing everything for personal interests, which is diametrically opposed to the democracy which enables the people to become masters of the country. Stirner, Proudhon, and the like advocated: "I am the key figure," "there is nothing else except me," "nothing is more valuable than me except overthrowing all that does not belong to me," "I am the criterion for truth," "I do not accept any obligation, that is, I do not keep myself within bounds nor let others keep me within bounds," and "everyone must mind only his own business." From this we know that what anarchists have in mind is nothing but "self." In their opinion, democracy should be practiced according to their personal ideas and everything should be done according to their personal will. Lenin penetratingly pointed out: "Anarchism is bourgeois individualism in disguise. Individualism is the basis of the entire world outlook of anarchists." ("Selected Works of Lenin," Vol 1, p 218) In fact, the freedom and interests of any individual are linked with the freedom and interests of others, the masses, and the collective. Doing everything for personal freedom and interests will inevitably cast aside all obstacles to obtaining such freedom and interests and will inevitably harm others' freedom and democratic rights as well as the interests of the collective, the nation, and the state. Therefore, both in theory and practice and viewed both from history and the present situation, anarchism has always been anti-democratic and has all the more been opposed to socialist democracy.

Some people maintain that with "extensive democracy," one can oppose bureaucracy. It seems that it is reasonable to practice anarchism. True, some organs and cadres are infected with bureaucracy, others even seriously. Bureaucracy hinders the development of socialist democracy, affects the initiative of the masses, is detrimental to the modernization drive, and harms the fundamental interests of the people. Our party has always been opposed to bureaucracy and has constantly adopted measures to correct it. An important part of the content of the current party rectification and of the rectification of unhealthy tendencies is opposing bureaucracy. So the question is not whether it is necessary to oppose bureaucracy but how to oppose it.

Bureaucracy is a social phenomenon that has a long history. Its emergence was caused by complicated social and historical factors. It is impossible to accomplish the whole task of overcoming bureaucracy at one stroke. Lenin advised us: "We will be fighting the evils of bureaucracy for a long time to come, and whoever thinks otherwise is playing demagogue and cheating, because overcoming the evils of bureaucracy requires hundreds of measures and wholesale literacy, culture, and participation in the activity of the workers' and peasants' inspection institution." ("Collected Works of Lenin," Vol 32, p 52) The existence of bureaucracy in our country has been caused

not only by the desire for "acting like overlords after becoming high officials," but also by, to a certain extent, the imperfectness of the political and economic systems. Therefore, the fundamental measures and methods to overcome bureaucracy are to resolutely carry out reform, to constantly perfect the party and state leadership system, the cadre system, and the economic management system, to develop the productive forces, and to build a high degree of material and spiritual civilization. Only in this way can we lay a solid and reliable foundation for finally eliminating bureaucracy. With regard to cadres who are infected with bureaucracy, our party has always applied the method of strictly distinguishing between the two different types of contradictions, demanding that they should go deep among the masses, closely combine themselves with the masses, and accept the masses' criticism and supervision. Our party always fights all manifestations of bureaucracy through criticism and education or even by enforcing law and discipline on the cadres concerned. In addition, our party always encourages, supports, and protects persons who fight against bureaucracy for the interests of the people. We should say that our socialist system, party discipline, and state laws are means which enable the masses to fight against bureaucracy. The masses definitely can exercise their duty and right of fighting against bureaucracy according to normal democratic procedures. Using "extensive democracy" means using anarchism, which will create confusion apart from being unable to overcome bureaucracy. One of the pretexts used for practicing "extensive democracy" during the "Great Cultural Revolution" was opposing bureaucracy. As a result, a large number of veteran cadres were brutally persecuted by the Lin Biao and Jiang Qing counterrevolutionary cliques. Everybody can still see the pernicious influence of this malpractice. Now some people turn a blind eye to the harm done to the state and the people by bureaucracy, but when their unreasonable demands are not met, they will claim that this is caused by bureaucracy. Obviously this way of saying things does not hold water.

Some people say that the purpose of opposing the practice of "controlling, checking, and suppression" is to "strive for democracy." People are not unfamiliar with the slogan of opposing the practice of "controlling, checking, and suppression," which was quite popular during the "Great Cultural Revolution." Instigated by this slogan, some people became absolutely lawless, did whatever they liked, and smashed to pieces administrative and managerial rules and regulations for maintaining production and normal work under the pretext that these rules and regulations were "controlling, checking, and suppressing" them. The harmful effects of this slogan still remain fresh in the people's memory. Marxists hold that there is no such thing as absolute freedom or absolute democracy. Authority is inseparable from freedom and democracy. They are the two aspects of one problem. Without freedom and democracy, authority will become autocracy and slavishness; without authority, freedom and democracy will become anarchism. Administration and management and rules and regulations are things of an authoritative nature. A factory, a shop, or an organ must have management, work discipline, rules and regulations, and operating procedures. Without these, production and work cannot be carried on. If a man does not observe operating procedures in his work, or if he does not follow traffic regulations while crossing the street, he is sure to bump into something, or still worse, to die a violent

death. People must obey these authoritative things and not violate them. This practice of "controlling, checking, and suppressing" is absolutely necessary, as it is indispensable to maintaining normal social life.

Some administrative and managerial rules and regulations were rationally worked out, but with the lapse of time, they have become irrational and their contents have to be changed according to specific conditions. This change does not mean thoroughly negating the role of administrative and managerial rules and regulations but replacing them with new and more authoritative things which will bring the initiative of laborers into play and promote the development of the productive forces. For example, the purpose of the current economic structure reform is to change the situation in which power was excessively centralized and control was rigid, and to replace outmoded and irrational rules and regulations with the responsibility system and with the system of separating government administration from enterprise management and of simplifying administration and delegating power to the lower levels. This change is being carried out under guidance. Once these new rules and regulations are established, they must be strictly implemented. Therefore, regarding the management system, centralized leadership, and the strict implementation of rules and regulations as "controlling, checking, and suppressing" people or as "undemocratic" will be nothing but a manifestation of anarchism.

Some people hold that when there are problems, it is necessary to vent one's spleen, as "fiercely venting one's spleen will solve big problems," "mildly letting out one's anger will solve small problems," and "restraining one's anger will not solve any problem." They even resort to threats to realize their aims. All this is a manifestation of anarchism as well as pernicious influence left over by the "Great Cultural Revolution." In our socialist country, principles and conditions decide the settlement of problems. Not only leading cadres but also the persons concerned should be clear about this. Whether your problem can be solved does not depend on your subjective will but on the judgment based on facts, the party principles and policies, and the law. Unreasonable demands will not be met even if you vent your spleen, and it is not necessary to vent your spleen to have your reasonable demands met. Moreover, although some problems are reasonable and need solution, they cannot be solved immediately because conditions are not mature. Venting one's spleen will not help create conditions for solving problems. Take personal material interests for example. When production is low and the state does not have sufficient strength, it is impossible to rapidly raise the level of everyone's material interests. Here, the people, under the leadership of the party, are required to work with one heart for the four modernizations, to develop production, and to increase the state's economic strength. If everyone is concerned only about his personal interests regardless of those of the state and the collective, production and work will be affected, and this will not help solve any problem. Venting one's spleen will only add complexity to problems and prolong the time for settling problems. Therefore, venting one's spleen is wrong, as it is harmful to the state, to the people, and to oneself.

In saying this, we do not mean that we must not show solicitude for the difficulties of the masses and must not solve their reasonable demands. Our party is the representative of the fundamental interests of the people of various nationalities throughout the country. Its basic purpose is to serve the people wholeheartedly, and the fundamental target of our revolution and construction is to constantly meet the increasing material and cultural needs of the people. For example, over the last several years since the 3d Plenary Session of the 11th CPC Central Committee, not only reasonable political demands of thousands upon thousands of people have been solved, but reasonable economic demands of many people have also been met. Of course, this does not mean that all problems have been solved. We should admit that due to the influence of "leftist" mistakes, the party policies have not been conscientiously implemented in some areas and some units. However, we should also see that our party has not relaxed the work of eradicating "leftist" ideological influence, has been actively promoting the implementation of various policies, and has engaged in solving various problems. Such being the case, we should have faith in the party policies and express our reasonable opinions to the organization. We must not adopt the erroneous methods of "venting one's spleen," as in the "Great Cultural Revolution."

Building a high degree of socialist democracy is an arduous task and requires long-term efforts. The reason is that not only must we build and constantly perfect various types of the democratic system and overcome undemocratic practices, but we must also get rid of the interference and harm caused by erroneous ideological trends, including anarchism, which is most pernicious. If we do not get rid of the interference and harm caused by anarchism, the people will not be able to fully exercise their democratic rights and it will be difficult to build a high degree of socialist democracy. Therefore, overcoming anarchism is one of the necessary conditions for building a high degree of socialist democracy. While clarifying the necessity of fully displaying the role of democracy and perfecting various types of the democratic system, the 3d Plenary Session of the 11th CPC Central Committee explicitly pointed out that it is necessary to resolutely oppose anarchism. Practice over the last few years has proved that this principle is correct. We must continue to implement it. In opposing anarchism, it is necessary to strengthen the work of educating those who practice anarchism, so as to enable them to have a clear idea of the fundamental difference between anarchism and socialist democracy, to enhance their understanding, to correct their mistakes, and to guide them to the noble cause of building a high degree of socialist democracy.

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WHY DO WE SAY THAT THE POTENTIAL OF URBAN ECONOMY IS STILL FAR FROM BEING TAPPED?

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 41-42

[Article by Song Tingming [1345 1694 2494]]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee some experiments and studies have been carried out on various aspects of the urban economic structural reforms but from the overall standpoint, the reforms were localized and exploratory in character. Compared with the reforms in the countryside, the vast potentials of urban economy are still far from being tapped. These potentials are seen in the following:

1. The enthusiasm, initiative, and creativeness of staff members of urban enterprises have not yet been brought into full play. According to statistics, the population of workers in cities and towns in the country has reached 110 million, making up over 50 percent of the urban population. The number of industrial and commercial enterprises in cities and towns in the whole country is over 1 million. The profits and taxes they pay to the state make up over 90 percent of the state's revenues. They thus constitute the major force of the whole national economy. But due to the failure to eradicate the defects of the enterprises "eating from the same big pot" of the state, and staff members "eating from the same big pot" of the enterprises, and because there has been no radical change of the conditions, so that it matters not whether the operations of an enterprise are good or bad and whether the staff members work more or less, the enterprises in general are lacking in vitality. The central link in urban economic reform is to put the enthusiasm, initiative, and creativeness of the enterprises and their staff members into full play. This is where the biggest potential of urban economy is located.

2. The equipment, funds, and resources of urban enterprises have still not been fully utilized and the potential for improving the economic results is very great. On the one hand, certain enterprises have allowed their equipment to remain idle, do not go into full operation, and have not fully utilized their production capacity; certain other enterprises have either allowed their funds to remain idle or overspent their available funds, resulting in an inability to meet their financial commitments; and some enterprises have failed to make an overall utilization and intensive

processing of their available resources. On the other hand, most of the existing enterprises of our country have antiquated equipment, operating at a low efficiency rate but with a high rate of consumption of fuels and raw materials. Major efforts should be made to grasp the technical transformation of the existing enterprises and if only some of their key equipment is renovated and/or increased, it will get twice the result with half the effort.

3. There is a great potential for realizing an increase in receipts and economy in expenses through improving the operation and management of the urban enterprises. Crude and careless operation, poor management, and low efficiency are the outstanding problems that have long existed in the urban economy of our country. As a result of poor operation and management, enterprises have frequently run into huge losses and waste of manpower, material resources, and funds and much work in this regard can be done to eradicate such symptoms as "evaporation and leakage." For example, according to the existing production scale, if we can reduce by 1 percent the cost of production of the industrial enterprises in the whole country, then the receipts can be increased by 2 to 3 billion yuan a year. And if the enterprises in the country can speed up the turnover of their circulating funds, making a reduction by 2 to 3 percent of their use of state funds, then savings of 7 to 10 billion yuan of funds can be made available for other uses. In the course of reform, if we can institute and perfect various forms of the economic responsibility system which unites the factors of responsibility, power, and benefit, adopt advanced management methods which stress overall quality control and improve the quality of the enterprises and their management level, it is certain that the potential of operation and management of the urban enterprises can be more fully displayed.

4. The potentials of domestic and foreign markets have not yet been fully tapped. Development of urban economy necessarily depends on domestic and external markets. In the past, because for a prolonged period we had stressed production, overlooked circulation, and failed to pay attention to putting the role of the market mechanism into full play, the market potential was never well tapped. First, the potential of urban markets is indeed very great. Be it the market for means of production or the market for consumer goods, at present there are still many blank points still untapped. The consumption structure of the means of production and that of consumer goods are continuously changing, but although people have money in their hands and are prepared to make the needed purchases, they frequently fail to acquire the goods which they sorely need. Second, the rural markets are extensive. In the course of the reform in the countryside some 800 million peasants have rapidly been enriched and there has been a sharp rise in their demand for means of production for agriculture and construction materials. The consumption structure of the peasants is now developing in the direction of being many-sided, diversified, and seeking goods of high quality. Demands of the rural markets really represent an incomparable force in promoting urban economic development. Third, the international markets are still awaiting development. Following the further enforcement of our policy of opening to the outside world, particularly the opening up of ports along the coast and the establishment of special economic zones and technological

development areas, our urban economy will go a step further in opening to the world markets and the prospects of developing international economic and technical exchange and cooperation are extremely extensive and bright.

5. The role of the cities organizing the economy has still not been brought into full play. The defects of the current economic structure such as the division of departments and localities, the departments blocking each other, and the blockage between urban and rural areas have made it difficult to display the functions of cities and towns. It is true that after several years of readjustment, the basic proportions of the national economy have been somewhat coordinated but many problems still exist in the industrial structure, enterprise structure, and technological structure while the state of the demarcation and division between the urban and rural areas has not been basically changed. Reform of the urban economic structure, with the gradual formation of an economic management system which is open or nonrestrictive, is network-like and dependent on the central cities and towns, and organization of production and circulation in a unified manner in accordance with economic principles will greatly increase the socioeconomic results.

6. The potential of science and technology has still not been brought into full play. Cities and towns are the centers of science, technology, education, and culture and are places where talents of various sorts congregate. If we can bring the potential of science and technology of the cities and towns into full play, carry out the union of scientific research, education, and economics and meet the challenge of the world's new technological revolution, it will greatly promote the economic development of the urban areas.

In short, if only we can firmly insist on reform, be bold in creating something new, and thoroughly eradicate the various defects hindering the rapid development of the productive force of the urban economy, the vast potential of urban economy will be fully displayed and the invigoration and forward movement of the whole national economy will be facilitated.

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WHY DO WE SAY THAT THE NEW TECHNOLOGICAL REVOLUTION REPRESENTS A NEW OPPORTUNITY AND A NEW CHALLENGE TO DEVELOPMENT OF CHINA'S ECONOMY?

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 42-44

[Article by Zhu Tiezhi [2612 6993 1807]]

[Text] The key to realizing the four modernizations, quadrupling the annual gross value of industrial and agricultural output by the end of this century, and invigorating the economy lies in modernizing science and technology. The newly rising worldwide technological revolution precisely gives us an opportunity to use new technology to develop the economy.

First of all, it provides us with an opportunity to select and adopt the latest technological accomplishments. Over the past 30 years, the speed of the world's scientific and technological development has surpassed that of any other period and a number of new technologies have made their appearance. Of them, the newest accomplishments in the world's scientific and technological development are centrally seen in the following: information technology, biological technology, new-type materials technology, new energy technology, space technology, oceanological development technology, and so on and so forth. In certain fields and in regard to our strength in scientific research, experimental tactics, and results in scientific research, we have already acquired a certain degree and level of development. However, generally speaking, we are still rather backward in science and technology. Of course, it is necessary to pursue initial and opening up work in scientific research, but since there are already new technologies in the world, we can certainly select from among them and adopt for our use in accordance with our actual needs and possibilities. The advantages of so doing are that, in certain fields, it is possible to skip certain traditional development stages in technology but directly make use of relatively advanced results in science and technology. There is no need to start from the beginning. Savings of large amounts of manpower, material resources, and time may be achieved, comparatively large economic results may be attained, development of our economy may be speeded up, and we may narrow the gap between our country and the developed countries in the fields of economics and technology.

Second, it provides us with an opportunity to introduce suitable advanced technology to speed up technical transformation in our country. Driven by the new technological revolution, the developed countries are turning to

developing the newest industries and are willing to transfer certain traditional industrial techniques. To us, many of these techniques are still advanced techniques that are suitable for our use and that are relatively cheap in price. Under such conditions, we are in the advantageous position of spending less money but acquiring more techniques, thus accelerating the technical transformation of our original enterprises.

Third, it provides us with an opportunity to learn from the modernized operating and management methods of economically advanced countries. Driven by the new technological revolution, the operating and management methods of the developed countries have become increasingly modernized. For example, they use the scientific systems method and control theory to improve the management level and to strengthen statistical study, and supervision of economic activities and thus to facilitate economic development. Learning from these advanced methods is advantageous to gradually and fundamentally changing our management pattern from the type for the handicraft industry and to facilitate developing our productive forces and invigorating our economy.

Lastly, it provides us with an opportunity to speed up our scientific and cultural education and development of the intellect. With the extensive use of new information technologies such as television, microcomputers, and so forth it will be possible, under the conditions of a shortage of teaching personnel and the limited availability of funds, to greatly accelerate the popularization and improvement of science, culture, and education, to the end that the further development of the intellect of the people of our country may be achieved. This has far-reaching significance to our country's economic development.

In the utilization of the opportunities offered by the world technological revolution, we have acquired many experiences and lessons. In 1956, our party issued a mobilization call "to march toward the modernization of science" and formulated a 12-year plan for scientific development. The test explosion of the atomic and hydrogen bombs, the making of synthetic crystalline bovine insulin, and so on, have all testified to the correctness of our party's tactics of grasping the opportunity and greatly developing science and technology. Unfortunately, as a result afterward of the "leftist" trend of the guiding thought becoming increasingly serious and ultimately leading to the 10 years of disturbances, the already decreasing disparity between our country's level and the world's advanced level was once again increased. Indeed, opportunities should not be missed and the time will not come again. Now we should learn from this experience and lesson, make full use of the advantageous conditions before us, and step up our scientific and technological development.

Now that the world's new technological revolution has provided a good opportunity for our country's economic development and has issued to us a serious challenge, we indeed have a severe test before us.

First, it is a challenge to our relatively backward productive force. Over the past 35 years since the founding of the PRC, our productive force has

achieved rather great development. But, compared with the developed countries, a large gap still exists. We need some 50 to 70 years' efforts before we can catch up with the economic development level of the advanced countries. In the meantime, modern science and technology are developing rather rapidly and if we do not try hard to catch up we may fall even further behind. Hence, we should, on the one hand, emphasize the use of new technology to transform our traditional industries and, on the other hand, appropriately speed up the development of new scientific technology and build up new industries to the end that our national economy may as soon as possible be transformed to a new technological foundation.

Second, it is a challenge to our management system and traditional management thinking which do not quite fit in with the development of the productive force. Compared with traditional industries, the newly rising technology and newly rising industries possess the following special features: rapid changes in technology, rapid renovation of equipment, a high and stringent demand on the quality of the products, intensive market competition, and high risks in investment. On the other hand, our current economic management system, policy-making procedures, and management methods can hardly conform with these special features. Due to such faults and defects as the overcentralization of authority, lack of decisionmaking power on the part of the enterprises, and the practice in distribution of "everybody eating from the same big pot," together with other drawbacks such as demarcation and division between departments and localities, the inability to separate government from enterprise functions, lack of competition, and so on, it has not been possible to promote technological progress. Rather, the application and promotion of advanced science and technology have been impeded, resulting in a low labor productivity rate and poor economic results. Reform of these kinds of conditions is sorely needed.

Third, it is a challenge to our education, scientific, and research work. The new technological revolution calls for the formation of a generation of talented personnel adept at creating something new and capable of bringing about a new situation in whatever they do. It demands that scientific and technical personnel and managerial personnel must be adept at the use and handling of information and at inventing, creating, and modern managing, and must possess competitive abilities and adaptability. Although since the founding of the PRC we have scored many successes on the scientific and technological front and our educational institutions have trained a large contingent of persons of superior quality, yet due to the existence of many defects in the scientific and technological system and in the methods of management and of certain drawbacks in the educational system, our level of science and technology is still relatively low and the number of trained personnel is still very small, with some of them being low in caliber. This has brought along many difficulties to our modernization program. If we do not reform our structure of science and technology and our educational system, and do not speed up the development of science, technology, and education, then, the danger exists of our failing to achieve the targets of quadrupling the gross output value, invigorating the economy, and realizing the four modernizations.

Lenin said: "Communism precisely makes use of a labor productivity rate which is superior to that of capitalism and which is created by workers who are advanced in technology, who work conscientiously and of their own accord, and who are united." ("Selected Works of Lanin," Vol 4, p 16) The key to improving the labor productivity rate lies in the development and utilization of advanced scientific technology. Our socialist system possesses superior qualities with which capitalism can hardly compare and these superior qualities help in developing science and technology and improving the labor productivity rate. However, for various reasons, the superior quality of our socialist system has not been put to full play and has not fully displayed its enormous role of promoting the development of the productive force. If, acting on the basis of summing up historical experiences and lessons, we do not firmly rectify the defects of the concrete structure and its links, or make the socialist system even better, or enable our superstructure and production relations to conform, to a greater extent, with the demands of development of the productive force, then it will not be possible to make good use of advanced science and technology to greatly improve the labor productivity rate, nor will it be possible to basically solve the various social problems arising therefrom, nor to realize the goals of building a high degree of socialist material civilization and spiritual civilization.

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THE TREMENDOUS SUCCESSES ATTAINED IN THE REFORM OF THE RURAL ECONOMIC STRUCTURE

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 44-45

[Study material by Zheng Youyun [6774 1635 7189]]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, proceeding from the actual condition of our country's rural areas, the CPC Central Committee has formulated a series of major policies and measures and has carried out step-by-step reform of the rural economic structure under the appropriate exercise of leadership. These reforms have tremendously mobilized the enthusiasm of hundreds of millions of peasants in undertaking production work and have led to the liberation of productive forces in the countryside, so that our country's rural economy has vigorously developed and a fine situation has appeared, which is unprecedented since the founding of the PRC.

Our rural economic reforms mainly consist of the following several categories:

The first category comprises reform of the mode of rural operation, with the practice of many varied forms of the responsibility system whereby contracts are linked to output. By the end of 1983, over 98 percent of all rural households in our country had adopted various forms of the responsibility system whereby contracts are linked to output. Thus, the mode of operation of cooperative economic organizations in the countryside has changed over from overcentralization in operation to the integration of centralized collective operation with operation by separate individual households. These reforms of great historical significance have subdued such shortcomings as reliance on making appeals in work and egalitarianism in distribution.

The second category comprises readjustment and reform of the rural occupational structure; the past tendency of grasping grain production alone at the expense of industrial crops and many varied occupations has been corrected, so that our country's agriculture has developed on a full scale. From 1978 to 1983, in the total value of agricultural output, the relative share of the value of the output of the crop-growing occupations decreased from 67.8 percent to 62.1 percent, while the relative share of the value of output of forestry, animal husbandry, sideline occupations, and fishery

increased from 32.2 percent to 37.9 percent. In particular, enterprises in rural areas and small towns have greatly developed over the past several years, so that our country's rural economy has gradually embarked on the path of comprehensive agricultural-industrial-commercial operation and coordinated development. In 1983, there were 1.34 million enterprises in rural areas and small towns, which employed a total surplus rural labor force of 30 million people from their own localities; the output value of industries in rural areas and small towns accounted for approximately one-ninth of the national total value of industrial output, so that these industries have become an important mainstay of the rural economy.

The third category consists of reform of the rural people's commune system. At present, in about 80 percent of all communes in our country, administrative authorities have been separated from commune authorities. The system of rural grassroots administrative organizations has been separated from the system of rural cooperative economic organizations, so that the cooperative economic organizations have acquired greater decisionmaking power over operation, becoming enterprises which practice independent accounting and which assume sole responsibility for profits and losses. This is also conducive to strengthening the building of the party and the administrative authorities in the countryside.

Thanks to the success of the reform of the rural economic system, our country's agricultural development is now full of vigor and the peasants of our country have begun to embark on the broad road of prosperity. These results are specifically reflected in the following several aspects:

First, the development of agricultural production has greatly accelerated. Over the past 5 years, bumper harvests have been reaped year after year in our country's agricultural production; the speed of development has been unexpectedly high. From 1953 to 1978, the national total value of agricultural output grew at an average annual rate of 3.2 percent, but from 1979 to 1983, it grew at an average annual rate of 7.9 percent; from 1958 to 1978, the average annual increase in the total national grain output was 5.24 million tons, but from 1979 to 1983, the average annual increase was 16.50 million tons; from 1952 to 1978, the total output of cotton always fluctuated around 2 million tons, but in 1983 the output reached 4.637 million tons, more than double the output in 1978.

Second, agricultural labor productivity has increased relatively rapidly. According to statistics, the average output value created by an agricultural worker was 893 yuan (at 1980 constant prices) in 1983, an increase of 30.6 percent over 1978; the average annual growth rate was 5.5 percent, greatly exceeding the average annual growth rate of 1.2 percent for the 1953-1978 period. In 1983, the average grain output of an agricultural worker was 2,401 jin, an increase of 15.8 percent over 1978; whereas in the 26-year period from 1953 to 1978, the total increase was only 8.2 percent. From 1953 to 1978, the average output of cotton and oil crops of an agricultural worker not only failed to increase, but had even fallen; however, increases of 95.2 percent for cotton and 84.2 percent for oil crops were achieved in the 1978-1983 period. Over the past 5 years, the value of output of crops

per mu of cultivated land increased at an average annual rate of 6.4 percent, greatly exceeding the average annual growth rate of 2.8 percent for the preceding 26 years.

Third, agricultural production changed in the direction of specialization and socialization, and the production of commodities developed relatively greatly. After the widespread institution of the responsibility system whereby contracts are linked to output, division of labor and division of production work into different occupations have seen new development in the countryside, and a large number of households doing specialized jobs have appeared. At present, the total number of such households in our country has reached 24 million; they constitute over 13 percent of the total number of peasant households. They specialize in various categories of specialized production work and services, and they are promoting the development of rural production toward the attainment of a larger scale in the production of commodities. This is markedly reflected in the increase in the commodity rate for agricultural and sideline products over the past several years. From 1978 to 1983, the national commodity rate for agricultural and sideline products increased from 35.6 percent to 40.5 percent; the commodity rate for grain increased from around 20 percent to 30 percent; and the commodity rate increased considerably for products such as cotton, oil crops, meat, eggs, aquatic products, sugar crops, tea, fruits, flue-cured tobacco, hemp and flax, silkworm cocoons, and so on. In 1983, the total state purchase of social agricultural and sideline products amounted to 126.5 billion yuan; this represented a growth of 53.5 percent over 1978, giving an average annual growth rate of 9 percent when deductions have been made to offset the effect of price rises. The proportion of commodities in the peasants' consumption has also increased; from 1978 to 1983, the total retail value of commodities sold in the countryside increased by 110 percent, at an average annual rate of 15.6 percent.

Fourth, the popularization of the fruits of agriculturally related scientific research and the popularization of advanced production techniques has been quickened. For example, the area of hybrid-rice fields increased by more than 63 million mu in 1978 and reached 100 million mu in 1983; in 1978, the imported cultivation technique whereby the ground is covered with protective sheets began to be popularized, and at that time this technique was applied to only 660 mu of land, but by 1983 it had been applied to 9.38 million mu of farmland. With the stabilization and development of responsibility systems whereby contracts are linked to output, and with the emergence of large numbers of specialist households, increasingly large numbers of peasants are paying attention to and are applying science and technology.

Fifth, the peasants' income has greatly increased and their livelihood has markedly improved. According to sampled surveys conducted by the State Statistical Bureau, the net income of a peasant household was 309.8 yuan in 1983, an increase of 130 percent over 1978. Some 7.6 percent of the peasant households earned a per capita income of less than 150 yuan, while 11.9 percent earned a per capita income of over 500 yuan. The improvement in the peasants' livelihood has been relatively great, and the consumption pattern has changed. From 1978 to 1983, consumption of food increased by 87.4 percent,

consumption of clothing increased by 87.6 percent, but expenses on durable goods and accommodation increased by 380 percent. The standard of housing enjoyed by the peasants has also greatly improved; over the past 5 years, 2.8 billion square meters of housing for peasants has been built in our country. At the end of 1983, the per capita area of accommodation was 11.6 square meters, an increase of 43.2 percent over 1978. From 1978 to 1983, the balance of peasants' savings increased by over 400 percent, from 5.37 billion yuan to 32.3 billion yuan. Now some localities and some peasants have become well off before others, and durable consumer goods like television sets, recorders, washing machines, and so on, have begun to be used by peasant families. The peasants' daily consumption has begun to change over from the self-sufficient type and semi-self-sufficient type to relying mainly on commodities. From 1978 to 1983, the proportion of monetary consumption expenditure in the total daily consumption expenditure increased from 39.7 percent to 58.8 percent, while the proportion of self-sufficient type consumption dropped from 60.3 percent to 41.2 percent.

CSO: 4004/6

EXPERIMENTS AND EXPLORATIONS IN THE REFORM OF THE URBAN ECONOMIC STRUCTURE
IN RECENT YEARS

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 45-46

[Article by Song Ming [2646 2494]]

[Text] Over the past several years, many experiments and explorations in the reform of the urban economic structure have been carried out in our country. They can be classified into the following 10 categories:

1. The enterprises' decisionmaking power has been increased and various forms of the economic responsibility system have been generally adopted. In the past, there was an overconcentration of power in economic management and the enterprises became appendages of administrative organs. In view of these shortcomings, we have begun by solving problems of the relationship between the state and the enterprise since the 3d Plenary Session of the 11th CPC Central Committee; on the basis of experimentation in Sichuan and at the Shoudu Iron and Steel Works, we have gradually extended the enterprises' decisionmaking power; we have adopted various experimental methods, such as retention of a portion of profits, assuming of responsibility for task completion, with the amount of profit being stipulated, allocation of a portion of profits to the enterprise according to specified proportions, assuming of responsibility for task completion, with progressively higher proportions of profits being retained by the enterprises, allocation of a portion of profits to the enterprise with the subtraction of past deficits, the substitution of taxation for the delivery of profits to higher authorities, and so on; and we have finally decided on the full-scale implementation of the substitution of taxation for profit delivery and finalized the stipulated relationship between state and enterprise by means of laws and decrees, so that the enterprises can assume responsibility for profits or losses under the condition that they pay taxes according to laws and regulations. Within the enterprises, various forms of contractual economic responsibility system are gradually being put into practice, and the experience of the Shoudu Iron and Steel Works in "relying on contracts, ensuring good quality, and practicing accounting" is being popularized; and in some enterprises with suitable conditions, the system whereby the factory director (or manager) assumes responsibility is being practiced. Since spring this year, further progress has been made in streamlining administration, assigning power to the enterprises, and increasing the enterprises' decisionmaking power over management and operation, so that the enterprises' vitality has been increased.

2. Rational resource allocation and coordinated development are undertaken so as to develop many varied forms of economy and operation, and the development of the collective economy and the individual economy in the towns and cities is supported and encouraged. Regarding the question of ownership, there was an erroneous viewpoint that "the larger the scale and the higher the degree of state ownership, the greater the superiority." This viewpoint has been corrected over the past several years and many varied forms of economy have been developed. Originally we had only the economy under ownership by the whole people, the collective economy, and the individual economy, but over the past several years various new economic forms have appeared, such as various economic combines, joint stock companies, enterprises jointly financed by Chinese capital and foreign capital, enterprises financed solely by foreign capital, and so on; moreover, the urban collective economy and individual economy have developed greatly. By the end of 1983, the number of workers in units under collective ownership in our country's towns and cities had reached 27.4 million, while the number of individual workers had exceeded 2.3 million.

3. The industrial structure has been readjusted and the reorganization and integration of enterprises promoted. Since the 3d Plenary Session of the 11th CPC Central Committee, the proportional relations among agriculture, light industry, and heavy industry have been readjusted, priority has been given to the development of agriculture, light industry and the textiles industry; industrial and commercial enterprises have been subjected to large-scale reorganization and integration; horizontal interenterprise economic links have been developed, and the barriers between various industries, departments, and localities have begun to be broken. By 1983, over 2,400 industrial companies and general factories had been set up or formed through reorganization.

4. A reform of the circulation system has been carried out, and the production and exchange of commodities has been vigorously developed. In order to enliven the economy and bring convenience to the masses, the "three many, one fewer" measure (that is, many varied forms of economy, many varied forms of operation, many circulation channels, and fewer links of circulation) has been adopted in the commercial system; and through the reform to open up the cities and the countryside and to link them together, the method of rationing by coupons has been abolished in the case of a few dozen commodities. Moreover, the supply and marketing cooperatives have reverted to their former nature of cooperative economy, and agricultural trade markets have been opened in the cities to enable the peasants to do business in the cities by putting up stalls and setting up marketing outlets. In the reform of the wholesale commercial system, trade centers dealing in industrial, agricultural, and sideline products have been set up in large and medium-sized cities such as Chongqing, Changzhou, and so on. All people, whether from the north or the south, and whether in an official or private capacity, can freely enter the trade centers for transactions in any categories of goods, whether they be industrial products or agricultural products. In the reform of the goods and materials management system, the view that the means of production are not commodities has been done away with, over 600 markets in the means of production have been opened in our country, and inter-industry

barriers have begun to be removed so that a complete supply of goods and materials can be locally organized in a centralized and complete way.

5. Initial reforms have been carried out in the areas of planning, finance, commodity prices, credit, wages, and so on, and the regulatory role of economic levers has been brought into play. In the area of planning, three forms of management, namely, directive planning, guidance planning, and regulation by market mechanism, have been practiced; the powers of central cities, local authorities, and enterprises over planned management have been increased; and in the case of large cities such as Chongqing, Wuhan, Shenyang, Dalian, and so on, only a single set of plans is formulated for them. In the area of finance, various methods have been adopted, such as the assuming of responsibility for completing revenue collection and spending tasks, "eating out of different rice pots," and "classifying various categories of revenue and expenditure, and having various levels assume their own responsibility for task completion"; the first and second steps in the substitution of taxation for profit delivery have been taken. In the area of commodity prices, the state purchase prices of agricultural and sideline products have been raised; the selling prices of goods for industrial consumption have been lowered; the control over the prices of minor commodities has been lifted; three pricing methods, namely, the setting of prices by the state, the setting of prices by enterprises, and the free setting of prices, have been adopted; flexible forms of pricing, such as floating prices, have been adopted; price differentials due to differences in quality, locality, season, and quantity produced and sold have been reintroduced. In the area of credit, the People's Bank has been made to exercise the functions of a central bank; specialized banks such as industrial banks and commercial banks have been set up; capital construction investment is financed by bank loans instead of by fiscal appropriation; the circulating funds of state enterprises have been subjected to centralized management by banks; and floating interest rates, differential interest rates, and preferential interest rates have been introduced on a trial basis. In the area of wages, piece rate wages and the bonus system have been restored; ceilings on bonuses have been lifted; taxes are levied on profits in excess of set quotas; some enterprises have adopted flexible criteria of production or have raised funds by themselves to finance reforms, and some provinces and cities have carried out reforms involving labor contract systems.

6. Experiments in comprehensive reforms have been carried out and possible paths of urban reform have been explored. With the permission of the State Council, the State Commission for Restructuring the Economic System has carried out comprehensive economic system reform experiments in Shashi, Changzhou, and Chongqing. This year, another 49 large and medium-sized cities have been selected for experimentation in those reforms which will be carried out in various provinces and autonomous regions.

7. The scientific research and education systems have been undergoing reform, and the coordinated development of society, the economy, and science and technology has been promoted. Many scientific research units have carried out trial reforms whereby externally contracts involving money payment are signed between themselves and foreign bodies, and whereby domestically the

system of contracts for scientific research tasks and the system of scientific research funds are instituted; they have established a number of service agencies for the exchange of scientific and technological personnel as well as a number of scientific research-teaching-production combines. Some experimentation in the reform of the education system has also been carried out.

8. Regional economic planning has been carried out and various categories of economic regions have been set up. The State Council has set up three planning offices in charge of the Shanghai economic region, the Shanxi energy resource base, and the energy resources and communications in the northeast; the Zhujiang Delta Planning Office and the South Fujian Economic Region Planning Office have also been set up in Guangdong and Fujian respectively. Some open-type economic networks have been established, which basically depend on central cities such as Chongqing, which integrate various departments and localities, which integrate the cities with the countryside, and which embody horizontal and vertical links.

9. A new system whereby a city exercises leadership over counties is practiced, and the role of central cities in organizing economic activities is brought into play. At present, as a result of reform, over 120 cities in our country exercise leadership over more than 500 counties in their neighborhood, so that economic exchange between the cities and the countryside is being promoted.

10. Our country is opened to the rest of the world, and international exchange and cooperation in the economic and technological realms have been extensively launched. Since the 3d Plenary Session of the 11th CPC Central Committee, special policies and flexible measures have been applied to Guangdong and Fujian; the four special economic zones of Shenzhen, Zhuhai, Shantou, and Xiamen, as well as some economic and technological development zones, have been set up. This year, 14 coastal ports and the island of Hainan have been opened to the rest of the world; moreover, some reforms have been resolved upon, which involve the separation of administrative authorities from the enterprises in our external trade system, and which involve integration of the work of import and export agents with the trade in technology and the means of industrial production; the opening of our country to the rest of the world must continue to the further developed.

CSO: 4004/7

A VANGUARD IN URBAN REFORM--INTRODUCING 'SHENZHEN PROGRESSES'

Beijing RED FLAG in Chinese No 20, 21 Oct 84 pp 47-48

[Article by Hong Chu [3163 4342]]

[Text] Six eye-catching Chinese characters, written in a bold hand and which mean Shenzhen in progress, are inscribed by Comrade Hu Yaobang on the cover of the book "Shenzhen Progresses."

The book begins with an inscription by Comrade Deng Xiaoping: "The development of Shenzhen and the experience gained there have proved that our policy of setting up special economic zones is correct"; this is followed by another inscription by Comrade Hu Yaobang: "New tasks are performed in new ways; special tasks are tackled by special methods; our stand remains unchanged, but our method is brand-new." A color photograph of the three leading comrades of the CPC Central Committee, Deng Xiaoping, Hu Yaobang, and Zhao Ziyang, inspecting Shenzhen and mixing with the masses directly leads the reader into the scene of the Shenzhen Special Economic Zone. There is also a foreword by Comrade Gu Mu. These features have increased the attractiveness and splendor of this book.

"Shenzhen Progresses" was written by a number of comrades, including Liang Xiang, secretary of the Shenzhen Municipal Party Committee. It was published by the RED FLAG Publishing House.

We recommend this book to our readers at a time when our national reform of the urban economic system is being quickened and when it is particularly necessary to take our experience in urban reform as a reference. For those who want to know of the developments in Shenzhen, the publication of this book can be said to be as timely an aid as a gift of coal in snowy weather.

This book, with much new content and many new features, is the first book in our country which relatively comprehensively and systematically disseminates the experience of the Shenzhen Special Economic Zone.

First, it narrates the entire process of establishing the Shenzhen Special Economic Zone. Shenzhen was originally a small town under the Baoan County authorities, with a population of less than 30,000. In May 1980, the CPC Central Committee approved the conversion of this place into a "special

economic zone." In a short span of 4 years, it has emerged as a modern city which stands facing Hong Kong across the sea. This can be said to be a miracle of the 1980's that has been created by China. This book provides relatively complete knowledge of the entire process of establishing and developing the Shenzhen Special Economic Zone and its reader can draw a clear conclusion: The miraculous development and glorious success of Shenzhen is a product of the correct line, guiding principles, and policies of the CPC Central Committee, a consequence of the conscious implementation of this line and these guiding principles, and policies by the Guangdong provincial authorities and by the cadres and masses of Shenzhen, and a consequence of the vigorous endeavor of these authorities and people.

Second, this book introduces in relatively great detail the experience in construction of the various fronts in Shenzhen. Many previously published articles and booklets have described the conditions in Shenzhen. However, owing to the limited length of those articles, the limited size of those booklets, and other limitations, their descriptions are inadequate in both scope and depth. However, this book makes up for their inadequacies. This is because its writers are mostly the leading comrades of the Shenzhen Municipal Party Committee and the comrades in charge of various fronts. They have the situation at the Shenzhen Special Economic Zone at their fingertips and have personally taken part in the construction of the special zone. In the process of building the special zone and creating new experience, they have their own experiences of joys and frustrations, so that their narration of the experience is clear, vivid, and moving. Their discourse covers the history and the present situation of Shenzhen; the process of building the Shenzhen Special Economic Zone; the experience of reform in, and the method of management of, the special economic zone; the necessity, feasibility, and method of importing technology and using foreign capital as well as the full development of the usefulness of imported technology and foreign capital; and so on.

Third, an important feature highlighted in this book is the solution of new problems and the exploration of new paths. To establish a special zone, to open it to the rest of the world, to utilize foreign capital, to import technology, and thus to develop the socialist economy, constitute a new task for us. In the light of our national conditions, and, in particular, in the light of the superiority and specific conditions of Shenzhen, we must undertake explorations in practice and continuously sum up and accumulate experience; only thus can we achieve success. It is precisely in this way that the comrades of the Shenzhen Special Economic Zone have proceeded from reality and have made progress by continuously studying new conditions and solving new problems. The principal questions concerning the use of foreign capital are the creation of a good environment for investment by incoming businessmen, the provision of various facilities, the formulation of policies and measures regarding preferential treatment, and the protection of investors' legitimate interests by means of law, so that an increasingly larger number of incoming businessmen will be attracted to undertake investment. Regarding the solution of the problem of a shortage of qualified personnel, the old convention whereby cadres are "owned by departments" or "owned by local authorities" has been broken, and Shenzhen dares to select

qualified personnel, recruit them through inviting applications for posts, and employ them, so that people's enthusiasm and creativity are brought into play. In all social productive activities, people use the slogan: "Time is money, efficiency is life," to encourage themselves to make a greater contribution to the four modernizations.

Fourth, this book also introduces the experience of overall reforms in the Shenzhen Special Economic Zone. The spirit of reform has run through the entire process of the construction of Shenzhen. An important reason for the rapid development of the Shenzhen Special Economic Zone is that the people there have gotten rid of the old rules and bad habits which hinder the development of productive forces, have dared to bring forth new ideas, have been keen on reforms, have not been afraid of gossip, and have carried out comprehensive reforms, such as reforms of administrative organs, of economic management systems, of personnel systems, of wage systems, of capital construction, and so on. Through the reforms, a management system has been established which is compatible with the economic development of the special zone and with the four modernizations, and which is marked by quick transmission of economic information, quick response, high efficiency in doing business, and good economic results. This book describes the successful results of the reforms, the problems encountered in the reforms, and how those problems were solved. All this will undoubtedly inspire people.

Fifth, another feature of this book is that experience is disseminated with definite objectives in view, instead of being described in a simple and straightforward way. For example, a certain construction works company achieved nothing spectacular elsewhere in our country, but when it operated in Shenzhen it greatly changed and its development has been miraculously quick. What is the secret behind this? In view of this question in people's minds, the writers describe the relevant experience and practice. Another question for which people generally show concern is how socialist spiritual civilization is being built in the special zone. As a window for our country, Shenzhen does admit fresh air, but naturally it will also admit some dust. Worries about this problem are inevitable. The book relatively fully describes the practice of building spiritual civilization, and obviously this can help eliminate people's doubts and worries. The Shenzhen Municipal Party Committee holds that while we import technology, learn management experience, and utilize foreign capital, we must oppose and resist the corrosive influence of decadent bourgeois ideology and we must particularly pay attention to the building of socialist spiritual civilization; this is a basic issue affecting the success of the building of the special economic zone, and this crucially affects whether a special economic zone with Chinese characteristics can be built. Thanks to their understanding of this point, over the past several years, they have set aside a sum of 63 million yuan, which represents a third of the local fiscal expenditure, to build cultural, educational, health and medical, and sports facilities, to publish a number of newspapers and periodicals, and to build a television station, a museum, a library, a science center, a news dissemination center, a large theater, and so on. Moreover, they have launched intensive education in communist ideology, so that the vast numbers of cadres can conscientiously "eliminate pollution [wu 3064] without excluding foreign things."

Thanks to the efforts over the past several years, marked success has been achieved in the building of spiritual civilization in the special zone.

Moreover, by integrating theory with practice, the book analyzes in considerable depth a few principal questions concerning the special economic zone, such as the nature and characteristics of a special economic zone, how our special economic zone differs in essence from "export processing regions" and "free trade regions" in capitalist countries, the position and role of a special economic zone, the future prospects of special zones, and so on. In particular, Comrade Deng Xiaoping says that a special zone should play the role of a "window with regard to technology, management, knowledge, and external policies"; the book relatively fully expounds and proves the necessity, possibility, and far-reaching significance of this role and relatively fully discusses how this role of being a "window" should be brought into play.

To sum up, this is a good book marked by an abundance of materials used, full and accurate contents, a fluent writing style, integration of theory with practice, embodiment of knowledge, the existence of clear objectives in view, popular style, and a high degree of comprehensibility. Of course, there are some shortcomings, the principal ones being repetitiveness in some individual parts and the lack of thoroughness in the exposition of certain questions. These shortcomings have to be corrected through revisions in the next edition.

We believe that the flower of Shenzhen will continue to blossom and flourish, becoming increasingly more magnificent.

CSO: 4004/6

MISCELLANEOUS TALK ON THE TALENT

Beijing RED FLAG in Chinese No 20, 21 Oct 84 inside back cover

[Article by Wang Chengdian [3769 2110 0368]]

[Text] Modernization is a huge systematic process, which has many parts, a complicated structure and which involves great changes. In this modernization we urgently require a large number of talented people who have real knowledge and keen judgment. Some people say that talented people can made mud shine, while dullards can cause gold to lose its glitter. There is a certain truth to this. These days everywhere people are contending for "people of ability" and vying for these "gods of wealth," and we can see from this that people are stressing knowledge and talent far more than they used to. But as to how we should precisely develop and scientifically utilize talent, this still requires research. Here, I would like to say a few words on this subject.

First, if we are to stress diplomas, we must also stress standards. Practice has proved that most talented people are those who have received diplomas through specialized training. However, in society, there is no lack of those who have developed their talents through self-study. The famous mathematician Hua Luogeng [5478 5012 1649] is not a "professional training" but few would deny that he is a talented person. Diplomas and standards have a close relationship, but not an inevitable relationship. Scholastic education is an important way of training talented people, but it is not the only way. In recent years many peasant entrepreneurs and workers who are skilled at innovation but who don't have diplomas have appeared. They can be seen as useful, talented people in the four modernizations. If we only fix our gaze on diplomas and don't see anything else, it would be an unwise method of choosing talented people. A correct attitude is to look at both diplomas and standards.

Second, in using people of ability, do not seek for perfection. "There is no pure gold and there is no perfect man." Talented people are still people, and all people have their shortcomings. Talented people cannot all be perfect people. In using talented people, we are using their strong points. As for their faults of one kind or another, while boldly making use of these people, we should warmly help them to correct themselves. If the flaws are allowed to obscure the jade it would be a great pity. A Yinchuan city secretary showed keen insight when he said: "It is better that we use talented people

with faults rather than mediocre people" and "if someone can improve an enterprise it means they have ability. We can change their shortcomings while they work." If we divorce ourselves from reality, painstakingly search for perfect people and do not use talented people with small faults it would be like "not finding a good person in the whole of Hong Kong County," and this would adversely affect the great cause of the four modernizations.

Third, when employing people do not seek far and wide while ignoring what lies close at hand. Some units place advertisements and socialist help from connections in recruiting people, regardless of the costs. Reaching out and seeking widely for talented people in this way can be seen as one method of obtaining people of abilities. But what we must pay attention to is that we do not ignore the talented people right under our noses. The ancients said: "Within 10 paces there will be sweet grass." If things are seen in this way, and one wholeheartedly seeks talent, in general it can be found within a unit. Some see the talented people in other units as marvellous treasures, expend great amounts to dig them out and treat them with great respect. But as to their own talented people, they look askance at them, "feed them only grass," ignore their difficulties, do not resolve their real problems and make it hard for them to bring their intelligence and abilities into play. In following this method of seeking the distant and ignoring the near at hand, ignoring the many and doting on the few, be careful as, "in seeking a son-in-law, you can cause all your sons to run off."

CSO: 4004/6

INTRODUCING A COLLECTION OF ESSAYS ON THE QUESTION OF HUMANISM AND ALIENATION

Beijing RED FLAG in Chinese No 20, 21 Oct 84 outside back cover

[Book review by Qin Guanyuan [4440 6034 6678]]

[Text] This book is a collection of essays (published in August 1984 by the People's Publishing House) which studies, discusses and elucidates certain theoretical problems in an important article by Comrade Hu Qiaomu [5170 0829 2606] "On the Question of Humanism and Alienation." It is composed of 16 essays. In order to facilitate study and discussion, Comrade Hu Qiaomu's consent was obtained to place his article at the front of the collection of essays.

The article "On the Question of Humanism and Alienation" appearing in the book is a new text prepared by the author which makes a few revisions of the original and has an annotation inserted. It is an important article which, written under new historical conditions, firmly insists on developing the world outlook of Marxism, in order to facilitate the socialist modernization program, reform of the structure and the building of socialism with Chinese characteristics. The series of important theories discussed in the article is something that belongs to a basic theoretical pattern and possesses an important significance extending far into the future. For the purposes of learning from, and grasping, its basic viewpoints and methods, certain theoretical workers on Marxism such as Comrades Ding Weizhi [0002 0252 1807], Fang Keli [2455 0344 4539], Lu Zhichao [4151 0036 6389], Ru Xin [3067 0207], Sun Poqie [1327 0130 6951], Xing Benshi [6717 6321 1835], Luo Guojie [5012 0948 2638], Jin Longde [6855 7127 1795], Yuan Mu [5913 2606], Huang Nansen [2809 2773 7281], and Han Shuying [7281 2885 5391] have separately contributed specially written articles which further explain, narrate, and expostulate the principal theoretical viewpoints of Comrade Qiaomu's article. The various essays compiled in the collection all constitute separate and independent articles but, combined, they form a concrete whole. To facilitate reading, they are arranged in the collection in the order of the theories mentioned and discussed in the article "On the Question of Humanism and Alienation."

These essays offer a relatively full and penetrating elaboration and elucidation of the important theories mentioned in Comrade Qiaomu's article. For example, on humanism, Comrade Qiaomu's thesis is that it bears a meaning on two levels, namely, a world outlook and a historical outlook as well as a

principle of ethics and a standard of morality. This is a superb and brilliant understanding. The relevant essays in the collection made a detailed discussion of this from the historical, theoretical, and practical bases and further elaborated on the significance of this division from various angles. Again, for example, Comrade Qiaomu advocated that the alienation concept should distinguish between two different sets of conditions: one as a theory and method and the other as a concept to denote certain specially designated phenomena of a certain specially designated historical period. Marxism rejects the alienation concept of the former and employs the latter concept. The relevant essays in the collection made a relatively detailed explanation and elaboration of this thesis on the basis of an extensive and penetrating study.

These essays not only explain and elucidate the viewpoints of Comrade Hu Qiaomu's article, but also carry a penetrating development and elaboration of the principal theories in the article through many of the authors offering their contributions on the basis of their own research and analytical work, using a plentiful assortment of data. Some of the essays make supplementary explanations and express the explicit understanding of their authors in the study of the problem. Since these essays were written as research studies, they possess a definite theoretical and scholastic value. They serve as a sort of reference for the study and discussion of Comrade Qiaomu's article and are beneficial and meaningful to the further study and research on problems in this connection.

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